



IMPACT ANALYSIS OF BALANCED SCORECARD TECHNIQUE IMPLEMENTATION ON OIL AND GAS INDUSTRY OF INDIA

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ABSTRACT

The main objective of this research paper is to investigating the effectiveness of application “Balanced Scorecard” technique implementation on oil & gas industry of India and to identify the problem areas and the enterprise development strategy with the use of the key success factors. Balanced Scorecard is a strategy management technique that helps managers to translate organization strategy into operational objectives and implement it. BSC framework looks at the strategy from four different perspectives i.e. learning and growth, customer, internal business processes and financial. Study of BSC is to calculate effectiveness and particular significance on oil and gas industry of India. All we know that The oil and gas sector is among the six core industries in India and playing a major role in influencing decision making for all the other important sections of the economy. The Government of India has adopted several policies to fulfill the increasing demand in a suitable manner. So all four measures Perspective Researcher trying to find the effectiveness of BSC implementation on oil and gas industry of India as follows:--

Learning and Growth Perspective

To know the Business objective

To know the Skills and skillfulness of Employees

Customer satisfaction perspective

Market share

Customer Profitability

Internal business process perspective

Ability to innovate

Ability to launch new product in a competitive market

Financial perspective

To know the financial objectives

To know the Strategies of financial perspective

Key words: Balanced scorecard, oil and gas industry of India

Introduction

In the current economic scenario, every industry is conducting the analysis of approaches and chooses the modern techniques to know the performance of his organization and rapid response to different type of changes under the conditions of globalization, competition and the progressive development of the environment. In such cases Balanced Scorecard is one of the effective management accounting techniques. This technique organized in four distinct prospective:

- **Learning and growth**
- **Customer**
- **Internal business process and**
- **Financial**

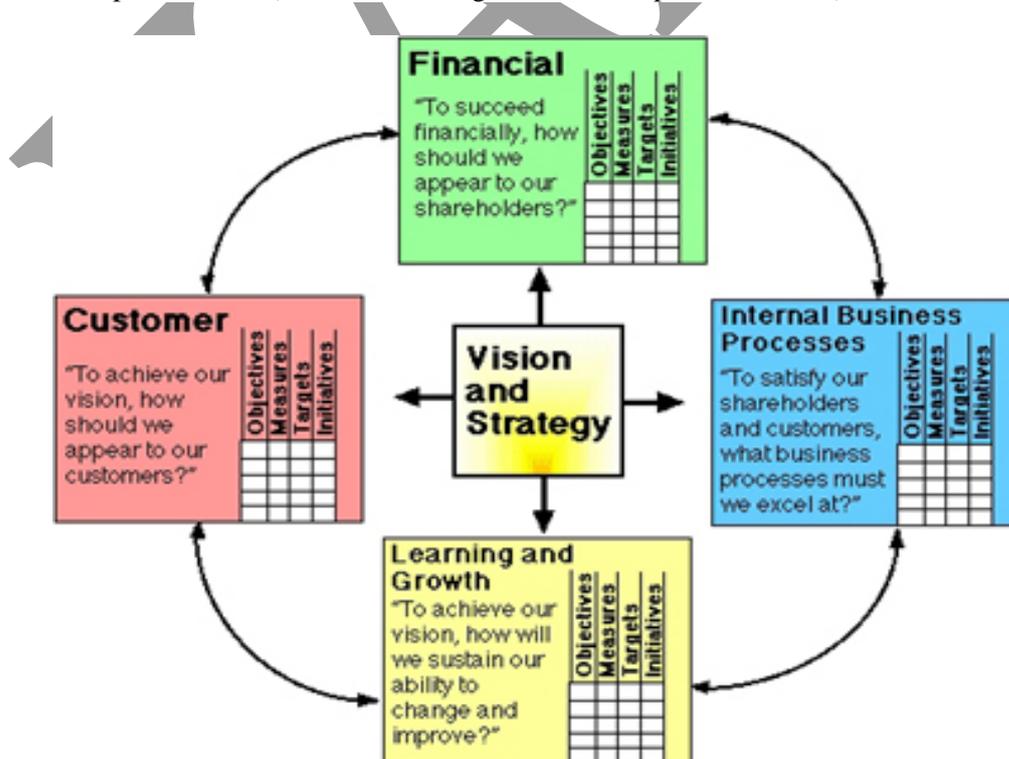
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This technique changes the organization vision and strategy to goals and criteria. The outcomes of Implementation BSC showing the effect on oil and gas industry of India, As we all know that oil and gas sector is among the six core industries in India and plays a major role in influencing decision making for all the other important sections of the economy. In 1997–98, the New Exploration Licensing Policy (NELP) was envisaged to fill the ever-increasing gap between India’s gas demand and supply. India’s economic growth is closely related to energy demand; therefore the need for oil and gas is projected to grow more, thereby making the sector quite conducive for investment. The Government of India has adopted several policies to fulfill the increasing demand. The government has allowed 100 per cent Foreign Direct Investment (FDI) in many segments of the sector including natural gas, petroleum products, and refineries and if talking about PSU’s then presently, Petroleum refining by the Public Sector Undertaking (PSU), without any disinvestment or dilution of domestic equity in the existing PSUs is 49% FDI through automatic route entry. So through this study researcher shown the effect of implementation of balanced scorecard technique. The concept of Balanced Scorecard was explained by Kaplan and Norton (1996) as:

Balanced Scorecard complements financial measures of past performance with measures of the drivers of future performance. The objectives and measures of the scorecard are derived from an organization’s vision and strategy. The objectives and measures view organizational performance from four perspectives: learning and growth, customer, internal business process, and financial. These four perspectives provide the framework for the balanced scorecard. Corporate executives can now measure how their business units create value for current and future customers and how they must enhance internal capabilities and the investment in people, systems, and procedures necessary to improve future performance.

A Balanced Scorecard defines what management means by "performance" and measures whether management is achieving desired results. The Balanced Scorecard translates Mission and Vision Statements into a comprehensive set of objectives and performance measures that can be quantified and appraised. These measures typically include the following categories of performance:-

- Learning & growth performance (morale, knowledge, turnover, use of best demonstrated practices)
- Customer value performance (market share, customer satisfaction measures, customer loyalty)
- Internal business process performance (productivity rates, quality measures, timeliness percent of revenue from new products, employee suggestions, rate of improvement index)
- Financial performance (revenues, earnings, return on capital, cash flow)



Source: Kaplan, R.S. and Norton, D.P. 1996. 'Using the Balanced Scorecard as a strategic Management System,' Harvard Business Review, January-February

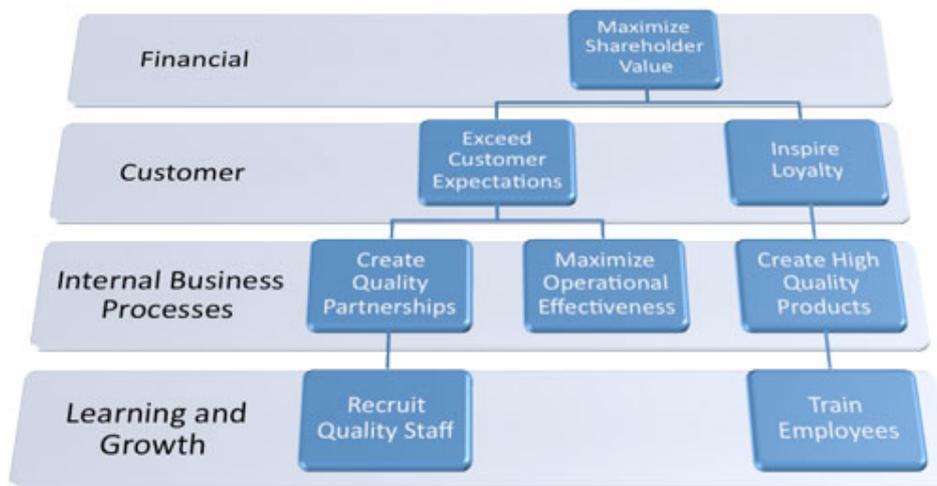
Applications of BSC

BSC steers the entire organization to work towards a shared vision in addition to providing necessary clarity, guidance and control through regular BSC reviews. According to Kaplan and Norton (1996), the balanced scorecard can be used to:

1. Clarify and gain consensus about strategy,
2. Communicate strategy throughout the organization,
3. Align departmental and personal goals to the strategy,
4. Link strategic objectives to long-term targets and annual budgets,
5. Identify and align strategic initiatives,
6. Perform periodic and systematic strategic reviews, and
7. Obtain feedback to learn about and improve strategy.

Strategy map

A strategy map is a diagram that is used to document the primary strategic goals being pursued by an [organization](#) or [management team](#). It is an element of the documentation associated with the [Balanced Scorecard](#), and in particular is characteristic of the second generation of Balanced Scorecard designs that first appeared during the mid-1990s. The first diagrams of this type appeared in the early 1990s, and the idea of using this type of diagram to help document Balanced Scorecard was discussed in a paper by Drs. [Robert S. Kaplan](#) and David P. Norton in 1996



Advantages and Disadvantages of Balanced Scorecard

According to comprehensive study of the literature, this method has several advantages as follows: -

- ✓ Balanced Scorecard is highly flexible, unlike many of the TQM tools such as models of excellence, these cards are designed specifically for each organization.
- ✓ It focuses on objectives-based management; it is a kind of information system, and also enables to make a draft of cause and effect relationship between different perspectives.
- ✓ It has strategy map so it can portray causal relationships between aspects of balanced scorecard.
- ✓ It facilitates moving the vision and strategy to lower levels
- ✓ The main difference between this system and other systems is Institutionalizing a culture of evaluation and measurement in organizations.
- ✓ Balanced scorecard by means learning and growing and feedback mechanism provides an effective loop for strategic management.
- ✓ Balanced Scorecard checks organization Strategic Health Continuously

Statement of the problem

In the present era of emerging intense global competition, organization are facing increasingly knowledge and demand of customer and also activist share holders which have change the competition environment from competition based on ability to invest in and manage physical assets to competition based on knowledge and ability to exploit intangible and soft assets. On that basis, in this research paper Researcher is trying to showing the effect of implementation of balanced scorecard on one of the measure industry of India i.e. oil and gas through its four Analysis perspectives-

- ✓ Learning & growth perspective
- ✓ Customer satisfaction perspective
- ✓ Internal business perspective
- ✓ Financial Perspective

Significance of the problem

The past results of performance analysis indicating that implementation of all prospective of Balanced Scorecard in oil & gas industry is possible, but implementation of this technique in oil & gas industry is not done well. This study highlights the challenges and impediments at every stage of implementation. It suggests possible ways of overcoming the challenges. This study can be of significant reference value, especially for public sector organizations intending to implement BSC. It highlights how BSC can be successfully implemented even in the face of the constraints that are unique to PSU's.

Objective of the study

Basically the main objective of this research paper is to investigating the effectiveness of application "Balanced Scorecard", technique implementation on oil & gas industry of India and to identify the problem areas and promising directions of development of methodological tools and the enterprise development strategy with the use of the key success factors. The main objective of this Study is as follows:-

- ✓ To know about technology leadership regarding time to develop new product using learning & growth perspective.
- ✓ To know about % of sales from new product and customer relationship maintain using Customer satisfaction perspective.
- ✓ To know about how much meet the expectation of the strategic goal using internal business process perspective.
- ✓ To know about the financial position of the industry.

Research Methodology

This research paper is design for an attempt of systematic research, which is based on basically secondary data and that has been collected from journals, magazines, articles media reports and news papers also. On the basic requirement of the object of this study the research design employed for the study is of descriptive type. Keeping in view of the set objectives, this research design was adopted to have greater accuracy and in depth analysis of the research study. Although Available secondary data was extensively used in the study. For that required information those different news articles, Books and Web were used which were enumerated and recorded. Collected secondary data were analyzed to examine the effect of implementation of balance scorecard on oil and gas industry of India.

Limitations of the study

Basically this study is based on Secondary data which is collected through newspapers Magazine journal Books articles and websites however every effort has made to cover all area of this aspect to analysis effect of implementation of balanced scorecard on oil & gas industry of India.

Review of literature

For a research program, essential part of the investing is a review of the related literature which is different type of general perspective of previous researcher pertaining to one's problems but according to my way it is totally wasteful and senseless to proceed on any research without knowing what has been done already. Literature is basically a foundation work upon which our all future research work will decide. For this type of thing keeping in mind we should have to start our work. Although research on effectiveness of implementation of balanced scorecard on oil and gas industry of India is very few however selected review of literature on this topic is as follows-

Balanced Scorecard in Indian Companies Manoj Anand, B S Sahay, and Subhashish Saha: studied & analyzed the current practice of the organizational performance management system with a focus on the Balanced Scorecard. We believe that some practitioners will find it useful to observe how other firms operate and perhaps change their own practice. It may also be useful to the management accounting academics to consider the practice for re-examining the theory. The difficulty in assigning weightage to the different perspectives and in establishing cause and effect relationship among these perspectives has

been found to be the most critical issue in the implementation of the Balanced Scorecard in corporate India. Most respondents cited that the implementation of the Balanced Scorecard has led to the identification of cost reduction opportunities in their organizations which, in turn, has resulted in the improvement in the bottom line.

Singh and Kumar (2007) found that, some of the major cases of BSC implementation in India such as Godrej-GE Appliances, Philips Electronics, Infosys Technologies, and Tata Consultancy Services. The study by Farooq and Hussain, (2011), indicates that most Indian organizations incorporate BSC as a performance measurement tool and use it to create change and improve performance. The inclination towards adoption of BSC is seen as a recent trend among the PSUs like Bharat Heavy Electrical Limited (BHEL), Steel Authority of India Limited (SAIL), Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL), and Hindustan Petroleum Corporation Limited (HPCL). The PSUs move to BSC is mainly on account of the government guidelines from department of public enterprises (DPE).

Chantelle Nortje (South Africa), Sanlie L. Middelberg (South Africa), Merwe Oberholzer (South Africa), and Pieter W. Buys (South Africa): studied that globally, sustainability has become increasingly important for the oil and gas sector in recent times. The impact of climate change and the number of oil spills increase the sustainability risk and have an effect on how shareholders and investors value these companies. Furthermore, the oil and gas sector is one of the key players in the South African economy. It is therefore important to include sustainability Environmental Economics, Volume 5, Issue 4, 2014 59 in the company's overall strategy and business decisions. The main research objective was to develop a sustainable balanced scorecard that addresses the needs of the oil and gas companies. It was found that the selected oil and gas companies include sustainability issues in their integrated reports with a focus on social aspects. These included training, health and safety, compliance to human rights, and community development in the local areas in which they operate. Furthermore, the GRI framework, together with the oil and gas sector supplement, can be used to identify performance indicators relevant to the specific company. These indicators can then be incorporated with the conventional BSC measurements to ensure balance regarding financial and economic, environmental and social issues.

Findings

It is found that the difficulty in assigning weightage to the different perspectives and establishing cause and effect relationship among them has been found to be the most critical issues in the implementation of the Balanced Scorecard in oil and gas industry because this technique is designed in keeping mind of large number of organization so it's not possible to functioning in a smooth way for every organization. Mainly we can consider the following Problems of Oil Industry-

- ✓ Limited supply as a non-renewable resource
- ✓ Produces carbon dioxide when burned
- ✓ Rising fuel costs lead to increased import bills

However if we see overall performance of BSC with its effectiveness of implementation, we can say that BSC a most effective measurement technique for oil and gas industry of India.

Suggestions

In the current scenario of competitive market, every organization is measuring their performance beyond financial perspectives, because financial aspect is not only a criterion for measuring all the things. Along with this they are including aspects such as safety, environmental impact, employee satisfaction and customer retention. Therefore, new or renewed strategies are needed to know the overall organizations performance with its financial performance. The past research has shown that organizations which use a Balanced Scorecard technique tend to outperform organizations without a formal approach to performance management. The key benefits of using a balanced scorecard include-

- ✓ Better Strategic Planning
- ✓ Improved Strategy Communication & Execution
- ✓ Better Management Information

Conclusion

On the basis of this study Researcher can say that the idea of the Balanced Scorecard is simple but is extremely powerful if implemented well. The successful implementation of the Balanced Scorecard on oil and gas industry is playing a very crucial role on its effectiveness. An organization will almost

certainly experience improved performance as long as management team but due to limited scope of this study, a large number of research issues is not taken but are identified for the future course of the study.

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