Executive Summary

Balanced scorecard is well known performance management system in US and in Europe. It has received overwhelming response from these countries. This system was used successfully not only in profit making organizations but also in non-profit organizations. There are many researchers conducted on this subject including researches on additional perspectives, measures, KPIs and many others. According to survey 35% of Fortune 500 companies use Balanced Scorecard as Performance Management System. Robert Kaplan and David Norton has not only evolved this system but also contributed immensely to body of knowledge since their first article in 1992.

However in India there is not much research about this system except few notables like B S Sahay has taken some efforts. There are efforts on the educational institutes BSC, analysis on measures from Indian industry etc. But beyond that BSC in Indian industry remains untapped. The need was felt when effectiveness of BSC was asked by critics. Questions are always raised on glorification of any term vis a vis its actual utility. Same is the issue with balanced scorecard. The need is to verify effectiveness of this performance management system in Indian context. While analysing data and going through literature it is found that companies may use the principles in BSC but do not name them as BSC. It has created lot of limitations for research on this specific subject. However there few companies who receive awards for successful implementation of Balanced Scorecard from palladium Hall of Fame and Balanced Scorecard Institute in USA. This has given an opportunity to analyse performance of these companies with its peers in Industry. Winning award does not mean only benefits received by these companies but implementation also happens to be better. In such situation all these private companies must have some aim of implementing scorecard and that is maximization of profits. Taking opportunity on this ground, researcher has decided to check impact of BSC on abilities of these companies to get maximum profits by using same markets and environment with their competitors.

There are 3 Industries taken for analysis of Profits on many parameters which are named as Important Financial Indicators from 1-19.
On graphical analysis of Automobile Industry it can be concluded that Tata Motors has performed better than its competitors from 2004 onwards. The reason as we have seen was emergence of new car model called Indica which has helped company to perform much better. In terms of Net Sales, operating profits, profit before taxes and after taxes, net block etc. in Automobile Industry, Tata Motors has no match which is clearly seen from IFI 14-19.

In case of Automobile Industry if we observe statistical results, it is clear that growth factor was not with Tata Motors alone but all other companies have also grown in same peace as that of Tata Motors. The impact of various samples tested with Mann Whitney and 2 sample t tests has shown clear results not much in favour of Tata Motors. This can be taken as indicator that alone Balanced Scorecard cannot be system which will work for profit maximization of company. This impact of Balanced Scorecard on Industries was not tested before especially in Indian Industry. There can be alternative Performance Management Systems which are prevailing in those companies may also be in a position to take advantage of market conditions as taken by companies using Balanced Scorecard like Tata Motors. For the aim of Profit Maximization this may not be sufficient system. However it is noted that on some parameters like Net Margin, Investment in Capital Work in Progress and creating net block compared with equity managed in much better way by Tata Motors.

While considering results of Infosys with its competitors it is found that Infosys has done better than its competitors on some parameters. However in terms of sales it was behind its arch rival Wipro till 2009. Sales cannot be only parameter to check effectiveness for Profit Maximization but other cost related parameters are also to be considered.

On the parameters like operating profit, profit before taxes, and profit after taxes and investments in net block Infosys has better absolute numbers than its competitors but same is not the case for Compounded Annual Growth Rate (CAGR) parameter. Only a few occasions Infosys has performed better than its competitors. This can be indication that the growth at which Infosys has grown is also achieved by competitors by not using Balanced Scorecard. So we can also conclude that Balanced Scorecard is not the only system by which companies can have Performance Management.

In case of IT and Software Industry if we observe statistical results, it is clear that growth factor was not with Infosys alone but all other companies have also grown in same peace as
that of Infosys. The impact of various samples tested with Mann Whitney and 2 sample t test has shown clear results not much in favour of Infosys. However as compared with other companies using Balanced Scorecard like Tata Motors and Lakshmi Machine Works (LMW) Infosys has certainly performed better. This can be taken as indicator that alone Balanced Scorecard cannot be system which will work for profit maximization of company. This impact of Balanced Scorecard on Industries was not tested before especially in Indian Software Industry. There can be alternative Performance Management Systems which are prevailing in those companies may also be in a position to take advantage of market conditions as taken by companies using Balanced Scorecard like Infosys. For the aim of Profit Maximization this may not be sufficient system. However it is noted that on some parameters like Operating Profit, conversion of reserves from profits managed in much better way by Infosys.

On graphical analysis and statistical analysis Lakshmi Machine Works was compared with its competitors in Engineering Industry. LMW are basically leaders in Textile Machine Manufacturers but the segment is too small to make analysis so the larger segment of Engineering was chosen for analysis. In terms of Sales, all types of profits like operating, net profit before and after taxes, net block or shareholder funds etc. LMW was much lower than its engineering competitors. However in terms of Compounded Annual Growth Rate LMW has shown better results Sales, profit before taxes, operating profits. It is indication that growth is better achieved by using Balanced Scorecard comparing with Industry Giants like L&T and BHEL.

In case of Engineering Industry if we observe statistical results, it is clear that growth factor was not with LMW alone but all other companies have also grown in same peace as that of LMW. The impact of various samples tested with Mann Whitney and 2 sample t test has shown clear results not much in favour of LMW. This can be taken as indicator that alone Balanced Scorecard cannot be system which will work for profit maximization of company. This impact of Balanced Scorecard on Industries was not tested before especially in Indian Engineering Industry. There can be alternative Performance Management Systems which are prevailing in those companies may also be in a position to take advantage of market conditions as taken by companies using Balanced Scorecard like LMW. For the aim of Profit Maximization this may not be sufficient system. However it is noted that on some parameters
like Sales per rupee of equity, conversion of reserves from profits managed in much better way by LMW.

As we have seen that on few parameters Balanced Scorecard companies perform better than their competitors may be due to more emphasis of these measures in Indian context.

Indian companies certainly lack in adding additional perspectives to their Balanced Scorecard. It is well known fact that Balanced Scorecard cannot be enforced on suppliers which may result in lowering the results of Balanced Scorecard. If companies start using Balanced Scorecard in much bigger scale then it may be better for Indian Industry to achieve better results on global platform. Such future areas of research can be explored to have better understanding of profit Maximization through Balanced Scorecard.