

It systems



Keeping this factor in mind, the aim of this research study is to determine how the telecom sector in Pakistan can benefit from the use of this Balanced Scorecard management tool by translating their intangible objectives and strategies into measurable goals and high long-term growth. The reason in selection of this particular sector is the fact that the telecom sector lies in the maturity stage of the business cycle; and hence in this stage companies work on investing to reduce the costs; increase operating efficiencies; maintain their market share and work on increasing their profitability(Little, n. d.).

Since, this industry has reached its saturation level; players in this sector have now turned towards various methods of how to race ahead of the others. Most of the strategies that these companies are now using are imitated by all the players in the sector, and thus, there is very little long term sustainable competitive edge that any of these companies enjoy. Therefore, the impact that a performance management tool such as the Balanced Scorecard, if implemented in its proper spectrum, would be profound and would result in a string of successful outcomes for the company.

This is because, the firm would be able to properly convert its strategies into workable and attainable goals and also keep a constant eye on the performance measures and provide instant feedback to all the employees throughout the organization. Moreover, the tool ensures that strategies are inter-linked and they are made involving all the levels of management in the decision making process. This would assist the sector in making strategies,

and help in the implementation of those strategies by the lower level management.

A better integrated system of using the customer measures, along with the innovation and the financial measures would result in successful companies; and in turn increase the effect that this sector has on the economy of Pakistan. The telecom sector in Pakistan comprise of the Cellular Mobile sector, the Fixed Line sector, the Wireless Local Loop sector, the Payphone Services and the Internet Services. However, this research study would only include the Cellular Mobile Sector in the Telecom Industry.

The reason for this is that the Mobile Sector has been the major source of the increased revenue flowing through the telecom sector, along with the main reason for high growth in the telecom sector. Exhibit 3 shows the teledensity of the cellular sector, the fixed line sector and the wireless loop sector; and as can be seen the cellular sector outperforms the other two by a very high margin. Currently there are six major players in the Cellular Sector of Pakistan: Mobilink, Telenor, Ufone, Zong, Warid and Instaphone. The cellular mobile services commenced in the 90's, and initially licenses were given to Paktel and Instaphone.

By 2007 cellular telephone services were available in 7011 areas of the country. The teledensity in Pakistan reached 52% in 2007, compared to that of other regional economies which stand at 48. 4% (Telecom Industry Report, 2007). The Cellular sector grew by 80% in FY2007, whereas the previous 4 years the average growth rate witnessed has exceeded 100%. Exhibit 4 shows the growth in the subscriber base of the mobile service providers; and

it is observed that there has been a tremendous growth from the year 2006 to 2008 from a 34. 5% to 78. 7% respectively.

The market share has been lead by Mobilink over the past few years, since it had the First Mover Advantage in the country. However, due to intense competition in the sector, Mobilink has been losing its market share to Telenor and Zong (previously Paktel), as the later two pick up growth in their subscriber base. In 2007, the market share of Mobilink stood at 39. 2%, whereas Ufone followed at 20. 9%, and Telenor 19. 5%. Deregulation of the telecom sector has played a major role in bringing tight competition among the players and hence it has contributed to a large extent to the economy of Pakistan through increased revenues and taxes.

Along with, the foreign direct investment in this sector is the highest in the country: capturing more than one fourth of the total FDI in Pakistan, which also shows investor's confidence in the sector's performance. In 2009, telecom sector received 22% of the total FDI in Pakistan. The Pakistan Telecommunications Authority has also provided regulations such as 100% equity allowed and 100% repatriation of the profit; and a business environment which would attract investors and thus contribute to the FDI flowing in the country, and eventually landing in the GDP of Pakistan.

Exhibit 5 shows that the total FDI flowing into the telecom sector; the highest has been retained by the Cellular Sector, as compared to the other sectors in the telecom industry. Revenues from the telecom sector have been increasing over the last five years; however, the growth in the revenues has been slumping since 2006, when it reached its peak at 34. 9%. After that

there has been a decline in the growth rate of revenues going from 34.9% in 2006 to 19.8% in 2009. The cellular mobile sector contributed 64% of the total revenues of the telecom sector; indicating a 17% of growth in revenues in 2009.

All in all, the telecom sector has been showing a good performance despite the slump in the economic situation of the country; and the cellular mobile sector among the telecom sector has outperformed all the other sectors in terms of its revenues, growth and subscribers (Telecom Sector Annual Report 2009). The concept of Balanced Scorecard have been widely researched and studied by various authors, from a multitude of angles and combining the basic concept with application in technology companies, non-profit organizations and for-profit organizations.

The amount of work on this particular topic indicates the level of popularity this concept has gained among the scholars; as well as among different companies that are open to the application of this concept to their particular case. A vast number of available case studies support the fact that this concept if implemented in a proper way can assist the company in measuring its performance regularly and act like a measuring gauge like that similar to a car in its dashboard which shows the level of fuel; or temperature status of the engine and the like.

Just like a vigilant person would never drive a car with some gauges or instruments missing from it; similarly, a smart management would never navigate their business blindly without the proper instrumentation to guide them towards success (Kaplan and Norton, 1996). Therefore, the balanced

scorecard enables companies to keep track of their performance. Moreover, other scholars think that strategy implementation is more important and crucial for businesses to realize compared to strategy creation.

A horde of different strategies can be made for a particular company keeping in view its particular situation and life cycle; however, what is more difficult is executing those strategies effectively (Kaplan and Norton, 2001). The problem occurs mainly due to the shift of the economies from an industrial age to an information age. Managing and measuring performance in the information age is difficult but not impossible. In the early days of industrial age companies main target was to bulge up its balance sheet and the focus was more on the finances and building up huge inventories and gaining profits.

However, that is clearly not the case in this age of a dynamic competitive environment where a lot of companies sell similar products and provide similar services. Then how would companies excel and become successful? In this information age value creation is the key to success; and companies do this through managing their knowledge based assets and using these intangible assets to create strategies that are not easily imitable (Kaplan and Norton, 1996). Thus, the problem arises in how to measure the performance of this knowledge based intangible assets.

For this purpose, balanced scorecard is a helpful tool to measure not just the results of a strategy, but also create the best suitable strategies for a company in the first place. The balanced scorecard is composed of financial indicators that cover past performance of the company, along with other

indicators that would measure drivers of future performance (Kaplan and Norton, 2001) and in turn actually guide the company towards making such strategies that would be perfect for that particular company, where the mission and the vision of the company is also accounted for.

Companies need to fully understand and know the four perspectives of the balanced scorecard; and concentrate equally on them. Unfortunately many companies fail to do so and just concentrate on one or two perspectives and eventually find themselves in a position similar to that of a person sitting on a stool with four legs with one leg broken: inevitably they fall (Hannabarger, Buchman and Economy, 2007). Furthermore, focusing only on the four perspectives in isolation is not a good step; instead the company needs to keep in view the market it operates in, the industry environment and the trends happening there.

A company should keep abreast with how the market is functioning in which it's operating; what the product introduction cycle times are, what the lead times are and the like. Seconding this view and assisting companies to use Balanced Scorecards for their operational purpose is the work of another author who researched upon Balanced Scorecard with a Six Sigma approach (Gupta, 2004). The work studies how this model facilitates companies in optimizing their profitability, cost and revenue measures and enhance firm performance overall.

The author believes this model is important for a company to know because it enables the company to set targets for their performance measures and therefore, employees can meet them in a better fashion by rechecking with

the target levels on a continual basis. The external environment should be analyzed as well for best results of a strategy implemented. This external environment would include not just the local environment but the international arena as well (Hannabarger, Buchman and Economy, 2007).

One important factor in the successful implementation of a balanced scorecard model is that the company under subject should be confident about its performance measures, since the key performance indicators would indicate how well the company is doing. However, research shows that many businesses are dissatisfied with their performance measures and are often shifting to new measures; on the way losing focus of their true indicators altogether (Meyer, 2002).

This research states that knowing the performance measures are more crucial than implementation of balanced scorecard. The author believes that if firms would know their performance measures and if these performance measures are positively correlated then measuring just one performance indicator would do the job, and a company would not have to assess all the indicators and not implement the balanced scorecard.

Keyes' (2005) second this point, and state that balanced scorecard approach helps companies realize how strong there is a relation between the drivers of an organization and formulate the 'cause-and-effect relationship' between them; thus, enabling companies to eliminate those indicators that do not show a positive relationship with the main indicators of success of the companies.

Therefore, Meyer's (2002) stand is that companies should work more towards 'going beyond balanced scorecards' and search for the performance metrics that best describe their business. Balanced Scorecard has been linked with information technology as well. For some companies IT serves as the most crucial part of the organization and these companies depend on the success of their IT systems and IT strategies; however for some other businesses the dependence on automated systems is not that large, and IT is used only in their operations.

Thus, this dependence on IT systems gives birth to various strategic decisions by the management. Keyes (2005), in her book emphasizes upon this point that for companies that have their profitability measures linked with the success of their systems, balanced scorecard approach provides the IT departments of these firms to link their strategies with the overall business strategies; and eventually this leads to successful operations.