



Balance Scorecard: A way to implement strategy in turbulent times (A Case Study of R.K. Marbles)

KEYWORDS

Balance Score Card, R.K. Marble, Financial Perspective, Customer perspective, Internal Business Process perspective, Learning and Growth perspective

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ABSTRACT *Balance Scorecard Approach is used to measure the performance of a company. Dr. Robert Kaplan & David Norton developed it in early 90's. It is a management system that enables organizations to clarify their vision and strategy and translate them into action. When fully deployed, the balanced scorecard transforms strategic planning from an academic exercise into the nerve center of an enterprise. The balanced score card suggests that we view the organization from four perspectives the financial perspective, the customer perspective, the internal business process perspective and the learning and growth perspective. The present research paper emphasizes the concept, important process and its relevance in the modern competitive world by applying on corporate sector.*

A new approach to strategic management was developed in the early 1990's by Drs. Robert Kaplan (Harvard Business School) and David Norton (Balanced Scorecard Collaborative). They named this system the 'Balanced Scorecard'. Recognizing some of the weaknesses and vagueness of previous management approaches, the balanced scorecard approach provides a clear prescription as to what companies should measure in order to 'balance' the financial perspective. The balanced scorecard is 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. When fully deployed, the balanced scorecard transforms strategic planning from an academic exercise into the nerve center of an enterprise.

Kaplan and Norton describe the innovation of the balanced scorecard as "The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology and innovation."

The balanced scorecard suggests that we view the organization from four perspectives and to develop, collect data and analyze it relative to each of these perspectives i.e. Financial, Customer, Internal Business Process and Learning and Growth Perspective.

R.K. Marble Pvt. Ltd

It came into existence with Ashok Patni chairman, Patni Group on 25 May 1989. The company started its operations at Madanganj-Kishangarh with installed capacity of 100000 cubic feet per annum of marble slabs. Makrana is that mandi of marbles which supplied marbles for Tajmahal. This automatically has attraction of potential customers & the Government of Rajasthan allotted a virgin marble-minimizing lease to company in Nov. 1993.

The company generated a favorable responses and goodwill

in a very short span of time. It steadily increased its capacity to 13,75,000 cubic feet per annum in India to cater to the increased demand. The company is the first marble mining company, which has very high level of mechanization and computerization with investments worth's Rs. 36.54 crore in equipments for mining purpose. The company also strives to provide quality by imbibing the latest international mining technologies. In the consideration of Kishangarh for the marbles, there are more than 500 Gang saw machines. So it automatically becomes large potential market of world. The growth of the company can be gauged from the fact that initial share capital of 12 lacs has now become Rs.63, 15, 57,000 and the fixed assets have also increase from the last year.

The company has taken ISO 9002 certification in 2001. Objective of the company remains to produce excellent quality products and adopt leadership stance RK Marble Pvt Ltd. is dedicated to maintain the highest standards of quality and excellence through constant innovation and up-gradation of technology. The name of RK Marbles Ltd has changed to RK Marble Pvt. Ltd. Marble is the pride of India, with practically inexhaustible deposits of over 1200 million tones. Today India is one of the leading countries in the export of marble and other natural stones. The domestic market is growing at a phenomenal rate. The total investment in dimensional stone sector is estimated at about Rs. 5,000 crore.

The present export – import trade in natural stone is estimated at US \$3 billion and it is likely to grown at an annual rate of 70%. From a meager export of 50,000 to 60,000 tonnes of stones in 1985. Growth of stone industries has come to 70, 00,000 tonnes. Affluent gulf countries namely UAE, SAUDI ARABIA, KUWAIT, EGYPT etc are emerging as the most potential future market, specially for India , because of its proximity to this area and quality of Indian marble. India has location advantage to cater to important markets like Japan, for east Europe and Middle East. Rajasthan is renowned for its marble resources with respect to quality and quantity and accounts for about 91 per cent of the total all-India reserves. Eighteen districts out of 32 districts contain marble deposits.

Objectives

The major objective was "to measure the corporate performance by using balance scorecard as a management tool to

implement strategy into action in turbulent times and for the same the performance measurement of R.K. Marbles Limited is taken". There are various tools such as Porter model, SWOT analysis etc. to evaluate the performance. The balanced scorecard suggests that we view the organization from four perspectives, and to develop metrics, collect data and analyze it relative to each of these perspectives, the following sub objectives may be laid down:

1. First objective is to develop Financial Perspective, which represents clear long-range targets for profit-seeking organizations, operating in a purely commercial environment. It includes issues such as profitability, growth, value etc.
2. To develop Customer Perspective which captures the ability of the organization to provide quality goods & services, effective delivery and overall customer satisfaction. It includes issue such as perspective of price, service quality etc.
3. To develop Internal Business Process Perspective which provides data regarding the internal business results against measures that lead to financial success and satisfied customers. It includes issues such as cycle time, productivity, processes etc.
4. To develop Learning & Growth Perspective, which captures the ability of employees, information systems & organizational alignment to manage the business & adapt to change process will only succeed if adequately skilled & motivated employees, supplied with accurate & timely information are driving them. It include issues such as knowledge, product development etc.
5. SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of R.K. marbles Ltd.

Research Methodology

The whole study was conducted in various steps: -

Step 1: At this step exploratory study was done. Interviews with the top management (i.e. GM, various departmental heads) were conducted to understand the organisation, working mechanism etc. During this step a great deal of discussions were carried on, on the various tools of management. After number of brainstorming sessions it was decided to apply Balanced Scorecard Approach to evaluate the business practices of R.K. Marbles.

Step 2: To apply Balanced Scorecard it was must that it should be understood thoroughly. Initial literature survey was done, various books, magazines, relevant articles, websites were consulted and a report was prepared on the concept.

Step 3: The various perspectives involved in Balanced Scorecard are financial, customer, internal business processes and learning & growth. Now the phase of descriptive study started:

- Financial Perspective:** Focus Group interviews were conducted with financial experts. Expert opinions were taken from CAs and financial advisors. Various ratios were selected with their consultation. Balance sheets & profit and loss account of last three financial years i.e. 2010, 2011 and 2012 were taken as source for calculations. The three major aspects i.e. objectives, measures & targets were finalized and jotted.
- Customer Perspective:** Data was collected through customer survey, which is known as customer evaluation form in the organization (used for collecting feedback form customers on fortnightly basis) was used for collecting data for this perspective. The data collected for 2012-13 was taken for study.
- Internal Business Process Perspective:** Direct personal interview with works manager & stores manager using structured schedule. Observation of various processes at factory site & meetings with workers were done to collect the data for this perspective.

(IV) Learning & Growth Perspective: Direct personal interview with various departmental heads were conducted to gather the information. Employees were observed and readings were written down.

Step 4: The data obtained from the various sources was analysed in great depth to come up with meaningful findings which provided valuable clues to answer the research objectives and for identifying the short comings. Based on these findings easily implemental recommendations have been suggested. The scorecard developed is not for one time use instead it's for continuous evaluation & to improve the effectiveness of organization.

Analysis: The analysis, on the various perspectives of balance scorecard i.e. financial, customer, internal business processes and learning & growth is required to be done in order to evaluate the performances of R.K. Marbles, which are as below. The R.K. Marble Balance Scorecard table shows strategic themes, strategic objective and measures that is the basis of our analysis.

- Financial Perspective:** The strategy for growth, profitability and risk viewed from the perspective of the shareholders.

Table: 1 Financial Perspective of R. K. Marble Ltd.

Strategic objectives	Measures	Ratios		
		2010	2011	2012
Profitability	Net Profit Ratio	22.06%	23.54%	23.28%
	Return on Investment	28.74%	25.91%	29.88%
	Return on Total Assets	17.46%	14.90%	12.14%
Return on Capital Employed	Return on Net worth	23.44%	22.40%	21.60%
Productivity	Total Assets Turnover Ratio	1.26	1.57	1.918
	Capital Turnover Ratio	.246	.292	.171
	Earning Per Share	8.96	11.08	13.59

Source: Annual Report of R.K. Marble Ltd.

Customer Perspective

The strategy for creating value & differentiation from the perspective of the customer. The strategic theme can be taken as overall customer service, customer delight & customer satisfaction. It may include the objectives i.e. Satisfaction regarding prices, Product Quality, Quantity/Measurement level, Hospitality, Overall Responsiveness and target is 90% that is 4.5.

Table: 2 Area wise Average Rating of Customers' Evaluation April, 2012 to March, 2013

Month	Area wise Average Rating					Aggregate Ave. Rating
	Price	Quality	Quantity	Hospitality	Overall Response	
Apr-2012	4.03	4.42	4.45	4.89	4.67	4.49
May-2012	3.37	3.58	4.06	4.83	4.32	4.06
Jun-2012	4.03	4.35	4.43	4.85	4.68	4.46
July-2012	4.03	4.15	4.36	4.75	4.67	4.33
Aug-2012	3.86	4.03	4.34	4.77	4.58	4.31
Sep-2012	3.88	4.21	4.37	4.80	4.54	4.36
Oct-2012	3.51	4.18	3.75	4.77	4.50	4.22
Nov-2012	3.74	4.05	4.33	4.79	4.21	4.23
Dec-2012	3.9	4.23	4.67	4.87	4.65	4.52
Jan-2013	4.07	3.98	4.14	4.77	4.45	4.3
Feb-2013	4.09	4.30	4.28	4.84	4.69	4.44
Mar-2013	3.65	4.08	4.19	4.69	4.62	4.24
Avg.	3.85	4.13	4.28	4.8	4.59	

Table: 3 Analysis of different measures of Customer Perspective

Measure	Avg. Rating (Apr 2012-Mar2013)	Target	Gap	Initiatives
I. Price	3.85 (77%)	4.5 (90%)	0.65 (13%)	<ul style="list-style-type: none"> Reduced margin for self & more benefit should be given to trades. Mass production to reduce price. Limitation: <ul style="list-style-type: none"> Variety of marble is available. There is no control over the quality of marble (natural product). Heavy capital investment.
II. Quality	4.13 (82.6%)	4.5 (90%)	0.37 (7.4%)	<ul style="list-style-type: none"> Quality is beyond the control though it is a natural product but through quality processes and mining. They can achieve better quality.
III. Quantity	4.28 (85.6%)	4.5 (90%)	0.22 (4.4%)	<ul style="list-style-type: none"> Equal measurement scales should be maintained at each place. Duel measurement scheme should be adopted one at factory/mine & other at customer's place at the time of supply.

Measure	Avg. Rating (Apr 2012-Mar2013)	Target	Gap	Initiatives
IV. Hospitality	4.8 (96%)	4.5 (90%)	-0.3(- 6%)	<ul style="list-style-type: none"> Customers are treated as guest. More of stress is given on hospitality, which should be controlled.
V. Overall Responsiveness	4.59 (91.8%)	4.5 (90%)	- 0.09 (-1.8%)	<ul style="list-style-type: none"> Telephone enquiry should be given due weightage. Enquiry through other means such, as e-mail, letter etc. should also be responded on time. Comments from customer side should be taken care-off & it should be tried that such things will not arise again.

iii) Internal Business Process Perspective

The strategic priorities for various business processes, which create customer & shareholder satisfaction. The strategic themes are Quality Processes, Good Neighbour and Zero Wastage. It will include the objectives as to achieve operational excellence through Productivity, Maintenance, and Solution to deficiencies, Procurement of spare & machine parts, new usage/product, prepared employees, environmental friendly atmosphere. For that the measures to be taken are productivity percentage- Maintenance Duration and Inventory Level, new product development, employee training program and environmental safety programmes.

Table: 4 Analysis of different objectives of Internal Business Perspectives

Objective	Measures	Current Position	Target	Initiatives
I. Achieve Operational Excellence	<ul style="list-style-type: none"> Productivity Maintenance Inventory level 	80% (from 75% to 80% through blade sophistication & proper analysis of stone type) Regular basis (15 days or 30 days) Zero level	90% Regular basis (15 days) 5%	<ul style="list-style-type: none"> Customers are treated as guest. More sophisticated blades should be used and type of stone for particular blade should be identified on time (hard stone, soft stone etc.). Machine maintenance records which are maintained at factory should be strictly followed. Some inventory should be kept.
II. New product	New product ROI	Research work is going on	-	-
III. Prepared employees	Employee training program	Training is given to the employees & there are cases when employees have to repeat training due to their performance in training programme.	Training to all & with 100% successful trainees.	<ul style="list-style-type: none"> Training to employees could be made a routine programme & employee selection criterion should be widened. Modification in training programmes could be made.
Objective	Measures	Current Position	Target	Initiatives

<p>IV. Environmental friendly atmosphere</p>	<ul style="list-style-type: none"> • Slurry conversion process (water affluent plant) • Noise pollution level 	<p>Whole slurry (water + marble dust originated at the time of cutting of marble through gang saws) is converted into water and cake through water affluent plant. Water is reused & cake is used to fill pits on the land. Checked on monthly basis & earplugs are provided to employees who are under danger zone.</p>	<p>Productive usage of cake</p> <p>Reduction in level of noise pollution.</p>	<ul style="list-style-type: none"> • R&D work is going on, on slurry but it should be paced up because there is a huge slurry production per day. • Machines should be properly maintained and a particular level of noise should be fixed beyond that machine and stone both should be checked.
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iv) Learning & Growth Perspective

The priorities to create a climate that supports organizational change, innovation & growth and for that the strategic theme is motivated & prepared workforce. It will consist objectives such as employee satisfaction, core competencies & skills, climate for action, access to strategic information. The measures, which can be taken, are employee satisfaction level, Required qualification & skills, Training programmes, Organisation culture & employee participation, Satisfaction with information system.

Table: 5 Analysis of different objectives of Learning & Growth Perspective

Objective	Measures	Current Position	Target	Initiatives
<p>I. Employee satisfaction</p>	<ul style="list-style-type: none"> • Employee satisfaction level • Employee turnover 	<p>High level of satisfaction but still all are not satisfied</p> <p>1%</p>	<p>100% satisfaction</p> <p>1%</p>	<ul style="list-style-type: none"> • New practice to satisfy employees i.e. participation in ownership, welfare programmes. • Something more than the competitors to prevent or reduce turnover.
<p>II. Core competencies & skills</p>	<ul style="list-style-type: none"> • Qualification level • Training programmes 	<ul style="list-style-type: none"> • Office staff has requisite qualification • Least bothered about the qualification level of workers at factory. No eternal training programmes for personnel. But employees are sent to attend courses, conferences & seminars of interest. 	<p>Employee in office & factory should possess certain fixed level of qualification</p> <p>Skilled & knowledge workers</p>	<ul style="list-style-type: none"> • Those who don't have necessary qualification could be given help to attain a requisite level. This programme should be supported with incentives, extra benefits to motivate the workers to attain the same. • Internal training programmes. Some B-schools could be consulted for employee training programme.
<p>III. Climate for action.</p>	<ul style="list-style-type: none"> • Employee participation 	<ul style="list-style-type: none"> • Only few of the employees are participating by giving their suggestions (putting the suggestions in suggestion box) • Organisation review meetings (ORM) & working review meetings (WRM) 	<p>100% participation</p>	<ul style="list-style-type: none"> • Rewards should be given on participation. • Benefits of participation should be made clear to the employees. • It is to be tried to remove hesitation among employees.
<p>IV. Access to strategic information</p>	<p>Satisfaction with information system.</p>	<ul style="list-style-type: none"> • Computerized information system. • Formal & informal hierarchy of information flow. 	<p>100% satisfaction level</p>	<ul style="list-style-type: none"> • Computer education & accessibility to employees.

SWOT Analysis: "You do not need to invent the wheel, start from where others left off."

Table: 6 SWOT Analysis of R. K. Marble Ltd.

<p>Strengths:</p> <ol style="list-style-type: none"> 1. Strong leadership by Chairman Mr. Ashok Patni. 2. Latest technology machines & equipments to extract stone. 3. Good image in market (highest tax payer awards, ISO-9002 certification). They have good financial image in the market. 4. Certificate from Guinness World Records for highest marble extraction in year 2000. 5. Good engineering support. 6. Strong Research & development programmes. 	<p>Weaknesses:</p> <ol style="list-style-type: none"> 1. Dependence on single product (no diversification yet) 2. Lacking in training and development of employees. 3. No innovation in welfare programs for employees.
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Opportunities:

1. Increasing demand of marble.
2. Decreasing rate of interest due to government policy is also leading to increase in sale of marble.
3. Nuclear family system in society and dream to have his/her own house by people.
4. Increasing number of hotels, hospitals etc.
5. Export of marble.

Threats:

1. Increase in usage of ceramic tiles.
2. Import of marble from Italy, Greek, Brazil etc.
3. Water supply position in Rajasthan.
4. Depleting level of stone in mines currently hold by R.K. Marbles.

Findings & Conclusion

R.K. Marble Pvt. Ltd., Kishangarh, Ajmer is acknowledged as the biggest Marble Company in the world and they hold the certificate from Guinness Book of World records to buttress their claim. Today RK Group is the most successful in this business but it is worth that they have no bigger competitor in front of them. After applying balanced scorecard approach to evaluate the business practices in R.K. Marbles following findings are withdrawn which are net profit of the company is continuously increasing, the company's financial position is continuously increasing, Balance sheet and Profit & Loss Accounts are maintained properly, they have good financial image in the market.

Profitability has increased consistently, which is remarkable in the sense that the company is able to use its assets effectively. The net worth has been decreased due to issue of bonus shares. Earlier the number of equity shares were 2,10,51,900 of Rs 10 each & the number has been raised to the figure 6,31,50,000 equity shares. The Customers are more satisfied with hospitality & overall responsiveness of the company. Price, quality & quantity aspects require more monitoring for higher satisfaction level. Employee turnover rate is less than 1% per annum. It is noteworthy that not much of stress is given to the educational qualification of employees working in factory. It is tried to involve the entire employee in companies' issues, in spite of that participation is not very high. Company is following traditional style of working and Employees are promoted on the basis of their performance. Employees are sent to attend the seminars, courses, conferences etc. of interest there is no internal training programme. Company has taken ISO-9002 certification for both factory & mines which has systematized the working of company. Zero level of inventory is there because nothing is left unsold in the factory (daily). 80% productivity level is there in the factory and it can be increased by usage of more sophisticated blades but that will raise the cost of production. Company has diversification plans but hasn't diversified yet. The utilization of fixed assets is decreasing.

Suggestions & Recommendations

After evaluating the business practices of R.K. Marbles Limited by Balanced Scorecard, the suggestions/recommendations can be made in order to reach the desire target are

annual plans to achieve target should be broken into quarterly plans & the results should be compared with the balanced scorecard, Balanced scorecard should not be used for one time because it is continuous evaluation tool used to measure the overall performance of the business, Reduction should be done in office expenses and personal expenses (indirect expenses) to increase sales revenue, some source of indirect income should be searched out such as leasing of machines, owning of trucks for transportation etc., unutilized assets should be sold out because it leads to unnecessary blockage of capital, rationalisation in issue of bonus shares is required because it lead direct impact on earning per share & dividend per share, Company should have optimum leverage (debt. equity mix.), some scheme should be there for the satisfaction of customers regarding quantity i.e. measurement. The quantity measured at factory should be cross-checked (measured again) at customer's doorstep also, inquiry through e-mails, letters & telephones should also be responded properly because such inquiries might develop prospect customers, comment given by customers in customer evaluation form should be maintained in a separate record so that they can be seen for future reference, more sophisticated blade should be used for cutting of stone & bulk purchase of such blades is economical also, Qualification part of employees working in factory should also be taken care off, Speed of Research & Development should be paced-up and some private research institute can also be given this work, Employee participation scheme such as ESOP (Employee stock option plan) could be applied to feel employees more involved, Regular training programmes should be there for the employees. Various training programs organized by B-schools could be a great help. The company should enroll himself to B-schools for such programs, As such there is massive computerisation in the factory but employees should be given computer education & exposure to latest development in information technology, Promotion plans should be there for employees who all are working for a longer duration, Some work/research should be done to increase product line (diversification), Company is not importing yet so some decisions should be taken in this respect to expand the business and Some attention is required on the marketing side of product.

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