Performance Measurement System in Telecommunication Services: A Study of Select Indian Companies

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ABSTRACT

Fast changing technology, increased competition and dynamics in consumer usages in telecommunication services has sidelined the company’s focus of excellence in services shifting their strategy from customer to technology. This has further led to increased non-standardized services in telecommunication services in India. The aim is to not only sustain in field, but also compete in the market. This study is an effort to address the questions, which includes: (a) the different performance measurement systems adopted by Indian companies in telecommunication services; (b) the approaches used to measure the performance of the organization in telecommunication services in India; (c) the different factors distorting the PMS of the organization and (d) the effectiveness of PMS and need for the change in the existing PMS. The primary data as well as secondary data has been used to decipher the trends in performance measurement practices in telecommunication services in India. The findings of the study indicate the inspiring facts to study the performance measurement system in India.

KEYWORDS

Corporate Performance Management, India, Performance Measurement System (PMS), Telecommunication Services

1. INTRODUCTION

Performance of any organization is one of the mechanisms to gain people’s commitment towards achieving the stated objectives of the organization (Yadav, 2014). Increased competition, rapid technological change, clutching government regulations, and mounting customer expectations have all combined in such a way that organizations are being expected to do miracle in achieving more out of less. The changing Indian political, economic, and demographic structure has led to changes in life style at a faster pace than economic growth. The fast-changing technology complicates the task of creating and providing different services as per standard practices and demanded by different customers over time. Sometimes government regulations invalidate the services in a newer manner. Thus, measurement of these services becomes complex especially in the telecommunications industry. The government regulations and changing technology in the Indian telecommunication industry also hinders in planning and effective implementation of a Performance Measurement System (PMS).

Traditionally, companies in telecommunication services place heavy emphasis on the quantitative measures such as the number of subscribers, coverage area, revenue per user, and so forth. The role of qualitative and non-financial indicators such as customer satisfaction, call drop rates, and advanced technology becomes important as they determine the competitiveness of a business as well as its ability to sustain profitability in the future. Incorporation of non-financial indicators in performance measurement process is crucial particularly in the face of intense competition, shorter technology /
service life cycle and rapid advances in technology, which characterize the contemporary business. Additionally, the changes in performance measurement practices should incorporate the changes in business environment and environmental variables in the Indian telecommunication industry.

2. OBJECTIVES OF THE STUDY

This study is an effort to address the following issues: (a) the different performance measurement systems adopted by Indian companies in the telecommunication industry; (b) the approaches used to measure the performance of the organization in telecommunication services; (c) the different factors distorting the PMS of the organization; and (d) the effectiveness of PMS and the need for changes in an existing PMS.

3. LITERATURE REVIEW

The mid-20th century witnessed the causes for evolution of measurement and its importance. The industrial revolution also led to the same in order to cater the need of investors in big projects. Johnson (1983) also advocated this concept of performance measurement evolution as followed by a few other researchers such Dixon et al. (1990). The budgeting and financial accounting augmented by Activity Based Costing (ABC) method leads to bottom line measurement by focusing on activities and deriving unique measures for each activity. This ABC method seemed a milestone in traditional structure having more formalization. ABC systems mainly focus on activities required to produce each product or provide each service based on each product’s or service’s consumption of the activities (AICPA, 2005).

ABC is the costing model that identifies the cost pools or activity centers in an organization and assign the costs to products and services (cost drivers) based on the numbers of events or transactions involved in the process of providing a product or services. As a result, ABC can support managers to see how to maximize shareholders value and improve corporate performance. (Valuebasedmanagement. net, 2005). Robert Kaplan and Steve Anderson also suggested improved version Time-driven Activity Based Costing to sidestep the difficulties associated with large-scale ABC implementation (Kaplan & Anderson, 2004). The time-driven ABC also facilitates the managers to estimate the resource demand imposed by each transaction, products or customer rather than relying on time consuming and costly employee surveys. The ABC method appeared to be a valuable instrument in many developing countries like India especially in service businesses (Yadav, 2006).

Performance measurement has always been a challenge before the many companies in service businesses especially in developing countries like India. The researchers have also studied PMS in different service businesses within Indian contexts (Yadav, 2005, 2006; Meyer & Gupta, 1994, Yadav, 2014). Different service businesses have their own performance indicators focusing on financial and non-financial indicators. There is a growing trend towards managing performance improvement through focusing on the underlying drivers of performance, be they improvements in the processes or the underlying resources that give these processes capability.

The past obsession with pure financial performance is decreasing and there may be recognition there is now a significant trade-off between hitting today’s financial results and sustaining the capabilities and competencies that allow companies to compete effectively in the future (Bourne, Franco, & Wikes, 2003). Measurement has to lead to insight and insight to action; hence, the term corporate performance management is used rightly depicting the difference between management of performance at the level of the individual and the corporation.

Measurement systems not only in terms of designing of systems but also in the disposal of existing systems is very important. Indian companies are innovative enough to design the new system as per demand, but disposal of existing or traditional system is very poor. Meyer and Gupta (1994) also express the same view. As far as designing and implementing a new PMS, newer information
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