

# “AN INSIGHT INTO HIGH PERFORMING ITES COMPANIES THROUGH FINANCIAL PERFORMANCE METRICS”

R. C. Pathak<sup>1</sup> , Shreya Virani <sup>2</sup>& Rajesh Pathak<sup>3</sup>

***Abstract:** Performance management is a managerial tool for managing organisational excellence for enhancing effectiveness. It connects all the resources such as financial capital, physical capital and human capital with the goals and objectives of the people and objectives of the organisation with people and leadership driving the processes for achieving best organisational throughput.*

*No single factor or metric guarantees organisational success. Rather, high performance is a result of many important parameters. The high performance organisations are characterised by certain drivers of financial performance (such as market share, profit, return on investment, economic value added, customer focus, employee promotion practices, incentives etc.*

*The present paper attempts to measure financial performance of the selected ITES companies with the help of financial metrics and to evaluate the overall performance of these companies on the basis of non-financial parameters as mentioned above. The results have been validated in the light of the data analysed and factual information acquired through direct interactions with the respondents. Finally the paper concludes with suggesting a model ‘Innovation Blitzkrieg’.*

*In the view of above background the present paper studies the high performing ITES companies and evaluates their financial performance by formulating financial performance metrics with certain Key Performance Indicators (KPIs). This paper also analyses the performance of these ITES companies on the basis of non-financial performance indicators such as flexibility, quality management, communication, innovation, promotional practices, incentives etc. as well. It is hoped that the present research paper will open up fresh avenue for futuristic research on the subject.*

**Keywords:** KPIs, High Performance Organisations, ITES Companies, Financial Metrics, Hyper innovation

---

<sup>1</sup> Brig. (Dr),A-9, Hermes Drome, Viman Nagar, Pune 411 014 ,rcpathak@yahoo.com

<sup>2</sup> Prof, Phase 3, C-304, Nirmal Township,Hadapsar, Pune 411 028Virani.shreya@gmail.com

<sup>3</sup> Senior Manager, Management Consultant, PRTM, UK

## **Introduction**

Performance management is a structured method of review which aims to link together individual goals, departmental purpose and organisational objectives (Marchington & Wilkinson, 2005). In this aspect there is a strategic link between employee behaviour and performance of the organisation. The overall aim of performance management is to establish high performance culture. In this respect employees would be visualised as a part of their function the requirement to continually assist in improving the performance of the organisation. By harnessing and developing the potential of the individuals organisation will be best placed to achieve the strategic goals.

- **Hyper Innovation Parameters**

Hyper innovation includes degree of novelty (newness) as well as complexity (diverse ideas). One of the hyper innovation recommended principle has been suitably suggested in this paper while considering the various determinants of CSF/KPIs have been discussed (Michael L. George, 2009; HBR, 2009).

Before we analyse the studies some of the relevant parameters are given below:

- **Key Performance Indicators (KPIs):** It is a measure of reflecting how an organisation is doing in a specific aspect of its performance.
- **Critical Success Factors (CSFs):** It is a broader term and it's a key activity needed to achieve the given strategic objectives of the organisation. A KPI is one representation of CSF.
- **Financial Metrics:**

Financial Metrics for selected ITES companies has been formulated with certain prominent financial performance indicators like Revenue, Net profit, Return on Capital Employed (ROCE), Margin on Sales percentage (MoS) and Earning per Share (EPS).

- *Marketing Metrics + Financial Metrics = Deeper Insight*

In the present paper, based upon the data analysis, and information acquired certain thrust points pertaining to the selected high performing Information Technology Enabled Services (ITES) companies been presented. With the help of Financial Metrics the financial performance of these companies have also been studied and presented. This paper also highlights the analysis of certain non-financial parameters such as flexibility, quality

management, communication, innovation, promotional, incentives etc. contributing to the overall performance of these companies.

### **Strategic Business Thinking / Key Success Factors**

Peter Drucker (1954), who is known as the greatest guru of management practice, introduced the idea of measuring success against market potential. He focused on the innovation of products and services and on improving how these were made or delivered. In addition, he studied other performance-related factors, including productivity, profitability, physical and financial resources, manager performance and development, worker performance and attitude, and public responsibility. Drucker also consulted with managers and encouraged them to ask the right questions, such as “What is our business?” and “What is value to the customer?” According to Drucker, “The important decisions are strategic decisions. Anyone who is a manager has to make strategic decisions, and the higher his level in the management hierarchy, the more of them he must make” (Drucker 1954).

In 1982, when Tom Peters and Bob Waterman produced *In Search of Excellence*, the idea of comparing, identifying, and analyzing the best-performing organizations came into vogue (Kirby 2005). Since that time, many studies have used comparison techniques to try to tease out what sets high-performance organizations apart. For example, in *Built to Last*, Jim Collins (1994) took a somewhat similar approach.

But the goal of identifying the most durable high performers through the art of comparison is a difficult one to achieve. One of the problems is that maintaining high performance is a major challenge for any organization.

### **Case Study**

In the present paper some live case studies of selected ITES (05) companies have been taken and their financial performance has been evaluated with the help of Financial Metrics which comprises of Revenue, Net Profit, Return on Capital Employed (ROCE), Margin on Sales (MoS) percentage and Earning Per Share (EPS).

## **X- Ray Metrics Factor**

Metrics can serve as leading indicators of problems, opportunities and future financial performance. Just as X-rays (now MRIs) are designed to provide deeper views of our body metrics can show problems and opportunities that would otherwise be missed. Metrics has to be necessary, precise and consistent and sufficient for review purposes, for measurement. In the present study, with the help of X-ray metrics financial performance metrics has been formulated.

## **Objectives of the Research**

1. To measure financial performance of the selected ITES companies with the help of financial metrics comprising of key financial performance indicators for the period 2001-08.
2. To measure the overall performance of the selected ITES companies on the basis of certain non-financial performance indicators like flexibility, quality management, communication, innovation, promotional practices , incentives etc.
3. To draw adequate findings based upon the data analysed and interpreted.

## **Data Collection and Sampling**

In order to fulfil the above mentioned objectives and to meet the requirement of the research the data has been collected in the following ways:

### **1. Primary Data:**

**Questionnaire:** Comprehensive structured questionnaire was designed for collecting the data. The questionnaire was designed for the managers and executives working at the middle and top level of management in ITES companies.

**Direct Interview:** The required information for the present research has been acquired through direct interview of the officials working at the top management; the study has been conducted objectively. The interviews were taken in an unstructured form and further analysis / outcome has been suitably presented

## **2. Secondary Data:**

In order to measure the financial performance of the selected ITES companies the secondary data has been extracted through the annual reports of these companies and through their websites.

### **Sampling Frame:**

The list of the ITES companies was taken from the yellow pages, which served as the frame for the purpose of the study. This provided the complete list and companies were taken into consideration from the same.

### **Sampling Technique and Sample Size:**

Stratified sampling method was used to design sample. From the selected ITES companies, the respondents were categorized into Managers or Executives working in these companies and employees working under them. Random sampling was used to collect the data. The lists of persons working in these companies were taken and randomly respondents were selected to collect the data.

### **Sample Plan:**

The total numbers of companies selected are 5. From each company random selection of 10 executives or managers is done.

### **List of the Selected ITES companies**

In the present paper, the following companies have been taken for the study.

Infosys, Wipro Pvt. Ltd., Tata Consultancy Services (TCS), Patni Computer Systems, Zensar Technologies

### **Research Methodology**

#### **Method of analysis and statistical tools used:**

Filled – up questionnaires were examined for their correctness and observed gaps were mitigated through follow – up with the respondents. In the current research work, data related to research topic was fed to the SPSS (Statistical Package for Social Sciences), and then various operations were performed. Data analysis was done by using various statistical techniques such as frequency, multiple responses etc. in order to draw meaningful findings and conclusion.

## Financial Metrics

The financial performance of the Selected ITES companies have been measured with the help of certain key financial performance indicators such as revenue, net profit, Return on Capital Employed (ROCE) , Margin on Sales (MoS) and Earning Per Share (EPS).

### Findings and Analysis:

In the light of the objectives of the paper, the findings have been presented in tabular format (Table no.1 to Table no. 7).

*INFOSYS: Financial Performance Metrics of Infosys is depicted in table no. 1*

**Table No.1: Financial Performance Metrics of Infosys:**

KPIs/ KFRs	2001	2002	2003	2004	2005	2006	2007	2008
Revenue (Rs in cr)	1,900.57	2,604	3,623	4,761	6,860	9,028	13,149	15,648
Net Profit(Rs in cr)	629	808	958	1,243	1,904	2,421	3,783	4,470
EVA (Rs in cr)	510	454	689	1132	1540	2122	2286	3563
Return on Capital Employed (ROCE) in %	54.42	46.94	37.51	13.73	61.12	45	46	41
Earning Per Share in Rs. (EPS)	95.05	122.07	144.61	186.59	70.38	87.86	66.23	78.15
Margin on Sales percentage (MoS)	43%	42%	37%	36%	36%	35%	35%	36%

*Table No. 2: Tata Consultancy Services (TCS): Financial Performance Metrics of TCS is depicted in Table 2*

**Table No.2: Financial Performance Metrics of TCS:**

KPIs/ KFRs	2001	2002	2003	2004	2005	2006	2007	2008
Revenue (Rs in cr)	3062	4114	4915	8051	8123	13264	18685	22620
Net Profit(Rs in cr)	863	1145	1176	1518	1831	2717	3757	4509
Return on Capital Employed (ROCE) in %	50	54	46	48	51	56	50	43
Earning Per Share in Rs. (EPS)	22.0	23.0	22.3	42.98	38.15	55.53	38.39	46.07
Margin on Sales percentage (MoS)	30%	36%	28%	29%	30%	30%	29%	27%

***Wipro Technologies: Financial Performance Metrics of Wipro is depicted in table 3***  
**Table No. 3: Financial Performance Metrics of Wipro Technologies Pvt. Ltd.**

<b>KPIs/ KFRs</b>	2001	2002	2003	2004	2005	2006	2007	2008
Revenue (Rs in cr)	3,140	3,487	4,047	5,190	7,276	10,264	13,759	17,658
Net Profit(Rs in cr)	666	866	813	915	1,494	2,020	2,842	3,063
Return on Capital Employed (ROCE) in %	58.52	42.53	33.25	32.84	6.13	31.43	30.50	26.51
Earning Per Share in Rs. (EPS)	28.59	37.26	34.97	39.31	21.25	14.17	19.18	20.96
Margin on Sales (MoS) in %	27%	31%	26%	24%	27%	25%	26%	23%

***Patni Computer Systems: Financial Performance Metrics of Patni is depicted in table4***  
**Table No. 4: Financial Performance Metrics of Patni Computer Systems**

<b>KPIs/ KFRs</b>	2001	2002	2003	2004	2005	2006	2007	2008
Revenue (Rs in cr)	329	448	537	702	876	998	1,172	1,541
Net Profit(Rs in cr)	111	164	164	166	194	206	388	389
Return on Capital Employed (ROCE) in %	44.1	42.2	33.4	28.3	13	14	13	18
Earning Per Share in Rs. (EPS)	0.25	21.99	14.99	18.44	14.11	14.88	27.88	30.88
Margin on Sales (MoS) in percentage	45%	50%	43%	44%	36%	39%	44%	33%

***Zensar Technologies: Financial Performance Metrics of Zensar is depicted in table no. 5***  
**Table No. 5: Financial Performance Metrics of Zensar Technologies**

<b>KPIs/ KFRs</b>	2001	2002	2003	2004	2005	2006	2007	2008
Revenue (Rs in cr)	329	448	537	702	876	998	1,172	1,541
Net Profit(Rs in cr)	111	164	164	166	194	206	388	389
Return on Capital Employed (ROCE) in %	44.1	42.2	33.4	28.3	13	14	13	18
Earning Per Share in Rs. (EPS)	0.25	21.99	14.99	18.44	14.11	14.88	27.88	30.88
Margin on Sales (MoS) in percentage	45%	50%	43%	44%	36%	39%	44%	33%

**Table No.6 Comparative analysis of Financial Performance Metrics of ITES companies:**

Avg. of KPIs (2001-08)	ITES Companies				
	Infosys	TCS	Wipro	Patni	Zensar
Return on Capital Employed (ROCE)	43.21	49.73	32.71	25.75	14.2
Net Profit (Rs in crore)	2027	2189	1584.8	222.75	23.28
Earning Per Share (EPS in Rs)	106.36	36.05	26.96	17.92	65.49

The above analysis of Table no. 6 presents comparative analysis of the five selected ITES companies i.e. Infosys, TCS, Wipro, Patni and Zensar in terms of average ROCE, average net profit and average EPS for the period 2001-08.

From comparative analysis (Table No.1) of Financial Performance Metrics of five selected ITES companies, the following observation emerges:

- High : Infosys, TCS, Wipro
- Medium: Zensar
- Low: Patni

From the above consideration of the analyses, further the companies can be categorised as under:

Best rated Company	Medium range company	Lower range company
<ul style="list-style-type: none"> <li>• INFOSYS</li> <li>• TCS</li> <li>• WIPRO</li> </ul>	<ul style="list-style-type: none"> <li>• ZENSAR</li> </ul>	<ul style="list-style-type: none"> <li>• PATNI</li> </ul>

Financial Metrics of the Selected ITES companies comprises of revenue, net profit, Economic Value Added (EVA), Return on Capital Employed (ROCE), Margin on Sales (MoS) and Earning Per Share (EPS). It is evident that there has been continuous and rapid growth in the revenue and net profit of the selected ITES companies which is encouraging and indicates positive trend in past financial performance of selected ITES companies. Rapid growth in revenue and net profit does also indicate further future prospects for these companies.

**Table No.7: Table showing the performance of the high performing ITES companies on the basis of non-financial parameters:**

Item Description	Infosys	TCS	Wipro	Patni	Zensar
Strategic Flexibility	80%	80%	75%	70%	75%
Quality Management	90%	95%	90%	80%	85%
Communication (Formal)	60%	59%	70%	62%	75%
Innovative Approach	95%	90%	90%	70%	90%

Reward through Promotion / incentive	50%	30%	25%	25%	35%
--------------------------------------	-----	-----	-----	-----	-----

### **Synthesis and Discussion of Results:**

The above analysis of selected ITES companies on the basis of non-financial parameters such as strategic flexibility, quality management, communication (Formal), innovative approach and reward through promotion/incentives it is observed that the above selected ITES companies can be categorised :

#### **High:**

- Infosys
- TCS
- Wipro

#### **Medium**

- Zensar

#### **Low**

- Patni

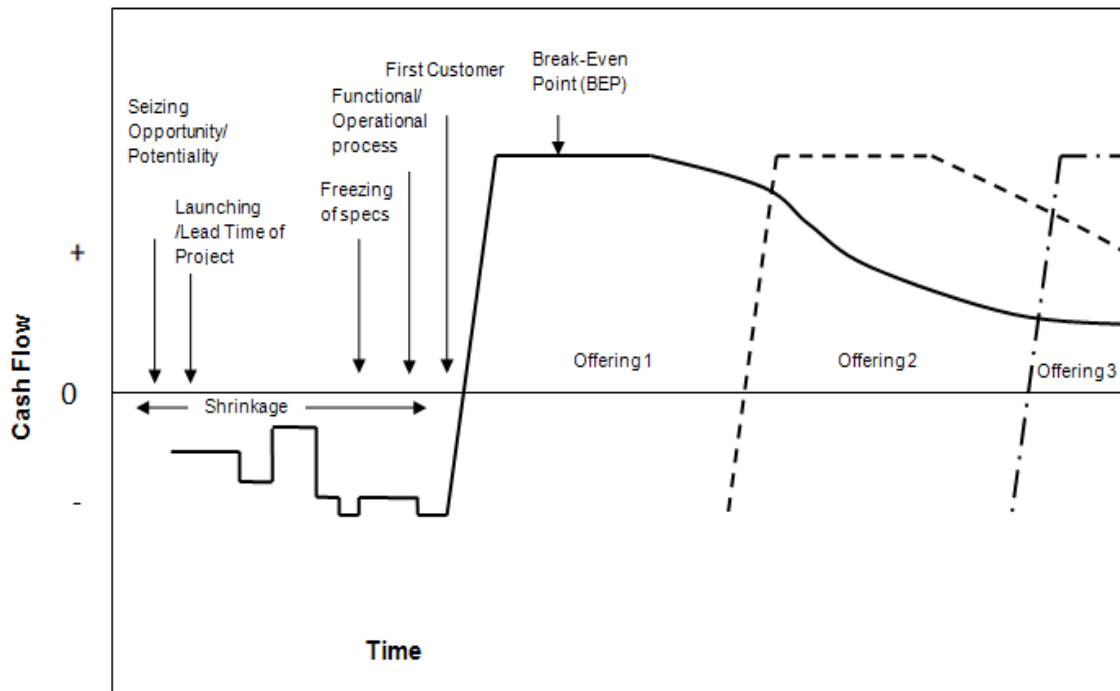
The above analysis (Table No. 1 and Table No.2) of the high performing selected ITES companies on the basis of some key financial performance indicators and on the basis of certain non-financial parameters it appears that all the selected ITES companies are performing better on both the perspectives and these companies are highly competitive in nature.

As has been observed, that the top three companies:

- ☐ INFOSYS,
- ☐ TCS and
- ☐ WIPRO

### **Innovation Blitzkreig Model**

From the above analysis and interpretation it appears that these companies follow a high deliverance (productive) model. A fast Innovation Blitzkreig model emerged out of this study is suitably depicted as below:



**(Figure no.1: Innovation Blitzkreig)**

This model has been suitably named as —INNOVATION BLITZKREIG□. This model modifies the slow model by the following activities:

1. The companies have to significantly change their total innovation process to be able to double or triple their rates of organic growth.

- Shrinking/shortening time, time to launch.
- Rapid learning (getting better & faster)
- Freezing specifications (specs) through flexible performance target decision evolvability
- Cross-functional teams.
- Disruptive offerings – a great innovative / propulsive pioneer to growth.
- Redefining the playing field.
- Improving accuracy of the products/services etc.

2. Higher margins on many offerings from A, B, C etc.

3. Reaching Break Even Point (BEP) earlier.

4. Seizing opportunities, market differentiation and many experiential quality management techniques.

### **Conclusion**

In this present paper, the selected ITES companies have been analysed with the help of Financial Metrics which comprises of key financial performance indicators. These companies have also been analysed on the basis of certain non-financial parameters such as strategic flexibility, quality management, communication (Formal), innovative approach and reward through promotion/incentives. On the basis of both the analysis the selected ITES companies have been given the rankings in terms of their performance. In the light of overall analysis it can be concluded that these high performing selected ITES companies follow an 'Innovation Blitzkreig' model which leads them to deliver high performance.

It is hoped that the model evolved will help these ITES companies to significantly change their total innovation process resulting into enhanced deliverance of the throughput of the ITES Companies.

Eventually, it is observed that the above research paper validates and proves all the proposed objectives and the themes. The companies have also been rated based upon their performance as High, Medium and Low. It is sincerely hoped that the present work will open up fresh avenues for futuristic research.

### **References:**

1. Dubey S. S. (2009), "Innovation with IT", Tata McGraw-Hill, New Delhi.
2. Kirby, Julia. (2005, July–August). "Toward a Theory of High Performance." Harvard Business Review, 30-39.
3. Marchington, M. Wilkinson, A. 2005. Human Resource Management at Work. London: CIPD.
4. Michael L. George, James Watson – Hemphill (2005), "Fast Innovation", Tata MCGraw-Hill, New Delhi.
5. Measuring Performance (2009), Harvard Business Press, USA.