Chapter No. 6
Business Performance Ranking and Ranking Agencies

6.1 Introduction:
Business Ranking has its own relevance and importance in today’s modern economy. It is very difficult to imagine today’s business without knowing its appropriate rank in terms of performance, contribution and achievement. A properly and rightly undertaken business ranking tells about its standing, achievements, ranking in terms of its competitors and the likely preference which will be given by its investors, bankers and creditors.

Ranking can be done both internally and externally. SWOT analysis and Vulnerability analysis are internal method of ranking; whereas, there can be external ranking undertaken by external agencies. The external ranking often is done by professional agencies, consultants and other interested parties. How a business is ranked by external agencies impresses its stakeholders and develops a particular opinion about a particular organization; whereas, external agencies also comment upon performance, policies and projection of the company.

Quality awards, financial recognition as well as financial performance are the important reasons for external ranking. In most of the cases, financial institutions, business magazines and many such institutions ranks the performance of business organizations; as performance is a matter of concern for every such institution. Today, there is a well established system and technique of business ranking. This system helps the investors as disclosure of the ranking develops credibility about the business performance. It also helps in examining the achievement on a realistic scale.

Professional approach to business ranking has also created awareness among business houses regarding their performance; since, without improving their performance a business organization cannot stand to the scrutiny and test of success.

Henceforth, the annual assessment of business performance has become a common feature of professional agencies/ Consultants/ business magazine which
in turn helps in creating an atmosphere of confidence and acceptability about business performance on different platform.

6.2 Purposes of Writing this Chapter:
This chapter is written with the following purposes in mind:

(i) To know how the performance of businesses are ranked by different agencies.

(ii) To enlist assessment agencies and their purpose of ranking.

(iii) To examine various awards conferred by different agencies for achievement, performance and excellence.

(iv) To identify the parameters used to confer the awards.

(v) To assess the criteria used by Business magazine and ranking agencies while assessing the performance.

6.3 Ranking of Business Performance:
The ranking of business performance by various business agencies is often an exercise based on understanding of business situation and analysis of business performance. There are numerous methods and tools that are used for analysis of business. The following diagram explains the method of business analysis:

Figure no.6.1: Business Analysis

These methods are developed by different experts and analysts; such as: “Balance Sheet Analysis (Schneider 2005), Stakeholder Value (Freeman 1984), the value Added Chain (Schneider/Hopfman/Baur 1994, Porter 1985) die BCG Matrix (Hedley 1999, Baum/Coenenberg/Gunther 2004), the McKinsey Portfolio (Schneider 2005, Baum et al. 2004), General Success Factors Analysis (Nagel 2003), the Technology Portfolio (Pfeiffer/Dogl 1999), the Product Lifecycle Concept (Hayes/Wheelwright 1979) and the Business Process Analysis (Gaitanides 1994, Gadatch 200511).” The purpose of business analysis is to correlate four basic factors related with business development. These are:

(i) Objectives

(ii) Framework

(iii) Current scenario

(iv) Strategy

It is rightly understood by everyone in business that analysis of a business is not complete without analysing the environment in which the business operates. Analysis of exogenous framework or general analysis of business environment is often done by using different techniques. The following diagram explains the techniques used for analysis of a business environment.

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A general analysis of business environment concern itself. As quoted by Kurth et al. in the book General Management Tools, "A General analysis of the business environment concerns itself with developments occurring at the economic and political levels (Dillerup/Stoi 2006). In the interests of such an analysis, only those factors should be considered that have or could have a general effect on the company's development – either positively or negatively. It is particularly important here to analyse a wide range of markets for both exports as well as purchasing, in order to recognize chances for the company as early as possible (Lau, Zywitz, Faix, Schulten 2006; Faix, Zywitz, Schulten, Tabore-Straub 2003; Faix, Kisgen, Lau, Sachulten, Zywitz 2006). Concrete even with an immediate effect on the branch, in contrast, are a component of the company-related environment. This shows, however, that the two types of analysis cannot be neatly
Business agencies analyse business organizations and its environment, both to assess the causes and determinant of business success. Today, the principal reasons as to why business agencies rank business is to know the causes of success of a particular unit. The term business success is not homogeneous; it is concern with a variety of factors. The general factors responsible for business success as often considered by various business agencies are depicted in the diagram here:


Business agencies are interested in knowing what the causes and determinant of business success are. As these determinants vary from business to business and from situation to situation, therefore, it is not possible to focus on one particular factor and consider it as the only factors responsible for business success.

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The growth, development and success of business depend on its potential capacity to achieve the desired success level. The following factors explain the determinants that drive business success in a competitive environment.

**Figure no.6.4: Management of growth and globalization**

![Diagram of Management of growth and globalization]

**OBJECTIVES:**
- Definition of growth targets
- Definition of globalization targets
- Definition of growth projects that support growth targets

**STRATEGY:**
- Strategy for achieving growth targets
- Strategy for achieving globalization targets
- Strategy for successfully implementing growth projects
- Strategy for successfully implementing globalization projects

**POTENTIAL**
- Potential for new products/services
- Potential in new markets
- Potential with new organization structures
- Potential through new sources of raw materials and semi-finished products
- Potential through new production/services methods


### 6.4 Principles for the Analysis of Success Factors:

Business ranking agencies consider organization as a competitive entity. They identify various factors that lead to business success. There is no single factor that is directly influential and sole determinant of business success. On the contrary, there are a variety of factors that really contribute business success. The following diagram explains the principle for the analysis of success factors:
Business success is the result of a well-defined process. There has to be a direction, speed and target which bring success to the business. It is a dynamic and perpetual process. The perpetuity of the process of business success is explained with the help of a diagram:

The success factor system consists of a phase model with 5 developmental stages. These are:

(i) Starting point

(ii) Expansion

(iii) Consolidation

(iv) Growth and

(v) Integrity

The matrix of success factor, as it works in a process form is explained here:

**Figure no. 6.7: Matrix of Success Factors**

<table>
<thead>
<tr>
<th>Phase</th>
<th>Start I</th>
<th>Expansion II</th>
<th>Consolidation III</th>
<th>Growth IV</th>
<th>Integration V</th>
</tr>
</thead>
<tbody>
<tr>
<td>Success factors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategies</td>
<td>No strategic consideration</td>
<td>Short-term orientation</td>
<td>Medium term strategies</td>
<td>Harmonization of strategies</td>
<td>Market oriented long term strategies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Strive after standards</td>
<td>Higher degree of standardisation</td>
<td>Strengthened individual orientation</td>
<td>Innovative organization</td>
</tr>
<tr>
<td>Organization</td>
<td>Higher degree of improvisation</td>
<td>Increased application</td>
<td>Higher degree of maturity with standardized applications</td>
<td>Higher degree of user satisfaction through data procession</td>
<td>Strategic competitive advantage through IS</td>
</tr>
<tr>
<td>Information system</td>
<td>IS enable cost savings</td>
<td>IS</td>
<td>IS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>Fulfilment of functions according to employment conditions</td>
<td>Limited freedom</td>
<td>Action oriented work groups</td>
<td>Highly motivated employees</td>
<td>Employee as joint entrepreneur</td>
</tr>
<tr>
<td>Top management system</td>
<td>Management style is natural</td>
<td>Strengthened delegation</td>
<td>Cooperative management system</td>
<td>Adequate managerial principles and methods</td>
<td>Management system guarantees implementatio n of strategies</td>
</tr>
<tr>
<td>Nearest to customers</td>
<td>Customer is a business incident</td>
<td>Normal customer relationship</td>
<td>Customer is accorded recognition</td>
<td>Problem solutions are offered</td>
<td>Highest degree of customer orientation</td>
</tr>
</tbody>
</table>

6.5 **Purpose of Business Ranking by Different Agencies:**

Today, different types of business ranking agencies exist. All these agencies work with different objectives. These agencies have their own goals for which they rank the business. The business agencies that rank business houses on the basis of their performance can be classified as:

(i) **International / Global Agencies:**

These are the agencies that work on global scale and rank various multinational business houses. Following table enlist the leading global ranking agencies:

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Global Agencies</th>
<th>Example of ranking activities undertaken</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bloomberg Business week</td>
<td>Top 5 companies in the world by market value and sector</td>
</tr>
<tr>
<td>2</td>
<td>Boston Consulting Group</td>
<td>Most innovative companies</td>
</tr>
<tr>
<td>3</td>
<td>Financial Times</td>
<td>Global to 100 brands</td>
</tr>
<tr>
<td>4</td>
<td>Forbes</td>
<td>World’s biggest public companies, world’s most innovative companies etc.</td>
</tr>
<tr>
<td>5</td>
<td>LinkeIn</td>
<td>World’s most in demand employers</td>
</tr>
<tr>
<td>6</td>
<td>Thomson Reuters / Derwent World Patents Index</td>
<td>Global innovators</td>
</tr>
<tr>
<td>7</td>
<td>Transparency International</td>
<td>World’s largest multinationals, emerging market multinationals</td>
</tr>
<tr>
<td>8</td>
<td>UNCTAD</td>
<td>World’s top transnational corporations</td>
</tr>
<tr>
<td>9</td>
<td>Universum</td>
<td>World’s most attractive employers</td>
</tr>
</tbody>
</table>

*Source: [http://www.insead.edu/library/rankings/companies.cfm](http://www.insead.edu/library/rankings/companies.cfm)*
(ii) National:

In India there are various business ranking agencies that enlist business houses on the basis of their performance. These agencies basically focus on developing a comparative standards and benchmark of performance:

Table no. 6.2: National Business Ranking Agencies

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>National Agencies</th>
<th>Example of ranking activities undertaken</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Business India</td>
<td>India’s largest companies</td>
</tr>
<tr>
<td>2</td>
<td>Business World</td>
<td>The BW real 500: The Definitive Ranking of India’s Largest Companies</td>
</tr>
<tr>
<td>3</td>
<td>Business today</td>
<td>India’s top companies</td>
</tr>
<tr>
<td>4</td>
<td>Thomson Reuters/ Derwent World Patents Index</td>
<td>State of Innovation India (Top 10 by industry)</td>
</tr>
</tbody>
</table>

Source: http://www.insead.edu/library/rankings/companies.cfm

(iii) Industry specific agencies:

There are certain agencies that rank the performance of industrial unit / Business houses which belong to a particular sector or segment.

Table no. 6.3: Industry specific Business Ranking Agencies

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Industry specific Agencies</th>
<th>Example of ranking activities undertaken</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Banker</td>
<td>Top 100 world banks</td>
<td>Banking &amp; Finance</td>
</tr>
<tr>
<td>2</td>
<td>Vault</td>
<td>Top banking firms</td>
<td>Banking &amp; Finance</td>
</tr>
<tr>
<td>3</td>
<td>Platts</td>
<td>Top 250 global energy companies</td>
<td>Energy</td>
</tr>
</tbody>
</table>
(iv) Award conferring agencies:

Many agencies confer awards for outstanding contribution by a particular business house. For this purpose, they rank various business organizations on certain standard performance criteria or model.

Table no. 6.4: National Quality Awards of different Countries

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Award Conferring Agencies</th>
<th>Name of the award</th>
<th>Model used</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Union of Japanese Scientists and Engineers (JUSE)</td>
<td>Deming Prize</td>
<td>Deming Prize Model</td>
<td>International</td>
</tr>
<tr>
<td>2</td>
<td>Baldrige National Quality Program, National Institute of Standards and Technology</td>
<td>Malcolm Baldrige National Quality Award</td>
<td>Baldrige Criteria for Performance Excellence</td>
<td>USA</td>
</tr>
<tr>
<td>3</td>
<td>Bureau of Standards</td>
<td>Rajiv Gandhi National Quality Award</td>
<td>National model (unique)</td>
<td>India</td>
</tr>
<tr>
<td>4</td>
<td>Institute of Directors</td>
<td>Golden Peacock Quality Award</td>
<td>National model (developed from Baldrige and EFQM)</td>
<td>India</td>
</tr>
</tbody>
</table>
(v) **General purpose agencies:**

There are various agencies that work to protect the interest of bankers, creditors, investors, creditors and other stakeholders for which they rank the status and credibility of business organization. Such activities are also performed by credit rating agencies.

(vi) **Industrial association or chamber of Commerce:**

Leading apex agencies like Chamber of commerce and trade association also ranks the performance of their associate organization.

(vii) **Independent ranking agencies:**

There are many independent ranking agencies especially consulting and research agencies which analysis the performance of business and rate the business houses.

(viii) **State sponsored ranking agencies:**

Government or its representative department also rank business houses in order to assess their contribution to the economy.

### 6.6 Parameters for Conferring Awards:

Different agencies confer awards on business organization considering their achievement and success in a particular period. Business success is not measured only in terms of profit alone, but also in terms of achievement from stakeholders’ point of view and from the view point of the philosophy of the organization. Consumer, investors, bankers, creditors, shareholders, tax authorities and even government organization ascertain success by using different criteria. The
The prediction of organizational achievement is also done by using different methods. Some useful prediction methods are enlisted in the diagram here:

**Figure no. 6.8: Prediction Methods**


The success is counted or determined by using different factors while conferring the awards. Usually the success factors differ from organization to organization, as well as from awards conferring institutions to institutions also. However,
certain factors remain a core aspect of the measurement of the success. These factors are enlisted as follow:

### Table no. 6.5: Factors of Market Attractiveness

<table>
<thead>
<tr>
<th>Evaluation Factors</th>
<th>Emphasis</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market size</td>
<td></td>
<td>Market volumes, number of potential customers</td>
</tr>
<tr>
<td>Market growth</td>
<td></td>
<td>Trends, life cycle stage</td>
</tr>
<tr>
<td>Risks</td>
<td></td>
<td>Risks from economic situation, political risks, success</td>
</tr>
<tr>
<td>Competition situation</td>
<td></td>
<td>Rigor of competition, costs leadership, differentiation, niche strategy, competitive markets</td>
</tr>
<tr>
<td>Market Position</td>
<td></td>
<td>Quality and quantity of customers and suppliers’ relationships, entry and exit barriers</td>
</tr>
<tr>
<td>Instruments of supply policy</td>
<td></td>
<td>Status, changes for new supply channels, price sensitivity, innovations</td>
</tr>
<tr>
<td>Profitability</td>
<td></td>
<td>Costs, investments, Interference, negotiation power</td>
</tr>
</tbody>
</table>


### Table no. 6.6: Factors of Competitive Forces

<table>
<thead>
<tr>
<th>Evaluation Factors</th>
<th>Emphasis</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relative market share</td>
<td></td>
<td>Market share in important segments</td>
</tr>
<tr>
<td>Products and services</td>
<td></td>
<td>Quality of market performance: Price, Service, logistic, consulting and system solutions</td>
</tr>
<tr>
<td>Product range</td>
<td></td>
<td>Breadth and depth of product range</td>
</tr>
<tr>
<td>Costs</td>
<td></td>
<td>Procurement costs, production costs, supply costs, cost advantages and cost disadvantages</td>
</tr>
<tr>
<td>Image</td>
<td></td>
<td>Image for the whole organization as well as for individual products</td>
</tr>
<tr>
<td>Technology</td>
<td></td>
<td>Status, perspectives in the implementation and production technology</td>
</tr>
<tr>
<td>Success factors</td>
<td></td>
<td>Distinctiveness of the most important success factors compared with those of the competition</td>
</tr>
</tbody>
</table>
Profitability and Financial Point of View:
From profitability and financial point of view certain other factors are also considered. These factors are:

1) Return on Investment
2) Return on capital employed
3) EVA
4) Cost leadership
5) Prize leadership

General Management Factors:
These factors include:

1) Strategic approach
2) Vision of the company
3) Implementation of the policy
4) Goal achievement
5) Employee morale
6) Addition to Human Resource assets
7) Employees satisfaction level

6.7 Criteria used by Business Magazine and Ranking Agencies:
Various magazine, research institutes and business agencies also assess the performance of the business. They rank business organization on certain select parameters. These parameters and methodology is disclosed to different stakeholders. This methodology happens to be a scientific and systematic approach towards analysis of business performance. The representative methodology used by the Businessworld is stated below:
Methodology used by Businessworld (Issue: 17 December, 2014):

Businessworld for the purpose of ranking India’s largest companies, it has selected both listed as well as unlisted companies whose annual audited financial data were available with Ace Equity Corporate Database. However, it has used market capitalization as the basis of selection of companies which are listed only on BSE. Accordingly 34,565 companies were identified on the basis of the above mentioned criteria.

However, after identifying the companies, those companies whose aggregate of Total Income and Total Assets were less than Rs.100 crore were drop; making the list to come down to 1,625 companies.

The agency as further restricted its criteria to only holding companies and while considering the financial information of the holding companies (consolidated) while subsidiaries were neglected to avoid duplication of ranking. The agency has further used the financial data of 2014 in order to rank the companies and has ranked the select companies based on the parameters of the sum of total income and assets.

6.8 Parameters used by different Business Magazines

The parameters used by these business magazines while analysing business performance cover different aspect of business activities. These include parameters related with General Management, Financial Management, Human Resource Management and Marketing aspects also. The important parameters used by reputed business magazine are as follows:

Table no. 6.7: Parameters used by Business Magazines to rank Companies

<table>
<thead>
<tr>
<th>Business Magazines</th>
<th>Theme of the issue</th>
<th>Parameters used</th>
<th>Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fortune (Asia Pacific)</td>
<td>100 best companies to work for</td>
<td>NA</td>
<td>3rd February, 2014</td>
</tr>
<tr>
<td>Business World</td>
<td>The Definitive Ranking of</td>
<td>Total income and Total Assets</td>
<td>17th November,</td>
</tr>
<tr>
<td>Business World</td>
<td>India’s Largest Companies</td>
<td>Total Income Total Assets, Operating Profit, Net Profit, Reserves &amp; Surplus, Debt, Return on Capital Employed, Return on Net Worth and Market Capitalization.</td>
<td>2014</td>
</tr>
<tr>
<td>Financial Express</td>
<td>500 India’s Finest Companies</td>
<td>Net Sales, Total Assets, Net Worth, Gross Profit, Market Capitalization, Return on Net Worth and Return on Assets</td>
<td>1st November, 2010</td>
</tr>
<tr>
<td>Business Standard</td>
<td>500 India’s Finest Companies</td>
<td>Net Sales, Total Assets, Net Worth, Gross Profit, Market Capitalization, Return on Net Worth and Return on Assets</td>
<td>March, 2009</td>
</tr>
<tr>
<td>Business Today</td>
<td>India’s Most innovative companies</td>
<td>NA</td>
<td>20th April, 2008</td>
</tr>
<tr>
<td>Business World</td>
<td>India’s Most Respected Companies</td>
<td>Innovativeness, Quality &amp; Depth of Top management, Financial Performance and Returns, Ethics and Transparency, Quality of Product and Services, People practices/ talent management and Global Competitiveness</td>
<td>9th September, 2013</td>
</tr>
<tr>
<td>Fortune (India)</td>
<td>Fortune500</td>
<td>Revenue, Net Operating Profit, Assets, Net Worth, Equity Dividend and Employee Cost</td>
<td>December, 2013</td>
</tr>
<tr>
<td>Fortune (India)</td>
<td>Fortune500: India’s Largest Corporation</td>
<td>Revenue, Net Operating Profit, Profit, Assets, Net Worth, Equity Dividend and Employee Cost</td>
<td>December, 2012</td>
</tr>
</tbody>
</table>

Source: Compilation from the above mentioned Business Magazines

6.9 Conclusion:

From the above discussion, it is clear that business ranking of business agencies is a very important issue. It helps different stakeholders to decide about their relationship with a particular organization. The decision regarding continuation, new investment and termination are all related with analysis of business performance. It also helps a common citizen to know about the performance of a particular business organization and industry at large. It also help to understand the direction of growth and the forces influencing the growth process of the economy.