Chapter – I

INTRODUCTION

1.1 Introduction

Performance management (PM) includes activities which ensure that goals are consistently being met in an effective and efficient manner. Performance management can focus on the performance of an organization, a department, employee, or even the processes to build a product of service, as well as many other areas.

According to Olsen (2005)\(^1\), performance management is also known as a process by which organizations align their resources, systems and employees to strategic objectives and priorities. Performance management is the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities. It is the main vehicle by which managers communicate what is required from employees and give feedback on how well they are achieving job goals. It brings together many of the elements that make up the practice of people management, including in particular learning and development.

Performance management establishes shared understanding of what is to be achieved and provides an approach to leading and developing people that will ensure it is achieved; as such it is an essential element of workers role and will support workers relationship with individuals in their team.

In general, manager needs to adopt performance management practices that will facilitate continuous review and ongoing development of his department/team in order to deliver departmental/objectives. The underlying assumption is that by managing the
performance of the individual and team, departmental and organisational performance will follow and by raising individual and team levels of performance, organisational performance will also improve. Equally when performance of individuals is not managed, this can lead to frustration and discontent amongst team members.

1.2 Need for Performance

Since the early development of objective-setting and review through all its later manifestations, the underlying assumption of performance management is that individual performance can be raised through a focus on setting and monitoring goals and aligning development and reward to individual aspirations and potential to grow and develop new skills. Further performance management assumes that by raising individual levels of performance, organisational performance can improve, although to date no definitive evidence has been provided to conclude that this is indeed the case.

It is significant to note that former practices in the management of individual performance have been found lacking. Merit Rating and Management By Objectives – popular until the late 1980s – were eventually found to be too mechanistic to deal with a fast-changing environment where organisations need to be ever more agile and adaptable to survive. The annual appraisal risks becoming an annual ritual rather than offering meaningful direction. The work on people and performance found that human resource practices alone do not drive organisational performance, but they do contribute to developing able, committed and motivated individuals who, when given the opportunity, are more likely to exhibit discretionary effort and performance above that which is sufficient to fulfil the requirements of the job.
1.3 Performance Management Theoretical Background

Locke and Latham (1984)\textsuperscript{2} noted that the underlying conceptual foundations for performance management lie in motivation theory and, in particular, goal-setting theory and expectancy theory. This theory suggests that not only does the assignment of specific goals result in enhanced performance but that, assuming goal acceptance, increasing the challenge or difficulty of goals leads to increased motivation and increase in performance. According to Vroom (1964)\textsuperscript{3}, individuals change their behaviour according to their anticipated satisfaction in achieving certain goals. Both these theories have important implications for the design of performance management processes which are explored later in this chapter.

Clark (1998)\textsuperscript{4} suggests that both goal-setting and expectancy theory are founded on the premise that human beings think in a rational, calculative and individualistic way. Indeed, the author argues that performance management is based on an extremely rationalistic, directive view of the organisation, which assumes not only that strategy can be clearly articulated but also that the outcomes of human resource processes can be framed in a way that makes clear their links to the organisation’s strategic objectives. The author further argues that the approach assumes causal links between different parts of the process that can be readily identified and enable underperformance in one or more aspects of the process to be managed to ensure optimum functioning of the wider performance management system. However, such assumptions not only ignore the debate about the nature of strategy and its formulation (Mintzberg, 1994)\textsuperscript{5}, but also fail to recognise the context in which a performance management system operates. The social processes and power systems within which organisations operate together with the
broader organisational and country-cultural context are important mediating factors in the operation and success of any system.

1.4 Performance Management Processes

Although there is no universal model of performance management, a review of literature and practice suggests there are a number of elements which might typically be found in a performance management system. These elements are often depicted as a performance management cycle (IDS, 2003). In general, performance management models place objective-setting and formal appraisal systems at the centre of the cycle, and (Lindholm et al, 1999) suggest that these two areas might be particularly affected by the cultural context. A typical cycle may be depicted thus in Figure 1.1.

![Performance Management Style](image)

**Fig-1.1: Performance Management Style**

1.5 Performance Management versus Performance Appraisal

“In a knowledge economy, organizations rely heavily on their intangible assets to build value. Consequently, performance management at the individual employee level is essential and the business case for implementing a system to measure and improve
employee performance is strong.” Management time and effort to increase performance not only meets this goal; it also decreases turnover rates.

Performance management is the process of identifying, measuring, managing, and developing the performance of the human resources in an organization. Basically managers are trying to figure out how well employees perform and then to ultimately improve that performance level. When used correctly, performance management is a systematic analysis and measurement of worker performance including communication of that assessment to the individual.

Performance appraisal, on the other hand, is the ongoing process of evaluating employee performance. Performance appraisals are reviews of employee performance over time; so appraisal is just one piece of performance management.

1.6 Purpose of Performance Appraisals

Evaluations of agencies and programs aid in determining levels of efficiency, effectiveness and appropriateness and facilitate future planning to enhance the ability to meet client needs. Similarly, appraisals of individuals can also provide such vital information and opportunities for improvement. Indeed there is an inalienable link between the two. Dickenson (1991) argues that “to ignore individuals in the review process is to ignore a major input into the achievement of organisational outcomes”.

It is often said that organisations that perform well are a reflection of the efforts and successes of their staff. Recognising these efforts and appropriately praising or redirecting them is imperative for organisational success. This is the basic purpose of performance appraisals. George and Cole (1992) describe it as, “discussing performance
and plan for the future”. Wanna et al. (1992) define the objective of staff appraisals as “improving planning and service delivery at the general level, but also to provide feedback to individual officers”. To underpin these discussions, there must be a reliable and accurate method by which to determine current levels of performance and compare them with predetermined levels of acceptability. Therefore there is an inference of a need for quantifiable standards linked to job descriptions and expected performance. Wood (1989) argues that this leads to two types of appraisal mechanisms, based on either accountabilities or core competencies.

The challenge is to “find ways to discuss openly what has previously been left unsaid” Cherry (1993) and Covey (1991), in discussing the work of Demming, makes the point that as managers we must be less concerned with supervising and concentrate on being leaders. He finds that “sustainable cultural change can take place within an organisation only when the individuals within the organisation first change themselves from the inside out” highlights the viewpoint of Demming (1982) that appraisal processes can be counter productive to organizational success as they are at odds with processes which encourage some degree of risk taking to meet client needs or develop new methodologies through trial. Also of this view is Mintzberg (1987) who considers: A fundamental dilemma of strategy making is the need to reconcile the forces for stability and for change – to focus efforts and gain operational efficiencies on the one hand, yet adapt and maintain currency with a changing external environment on the other.

Dickenson (1993) espouses the common viewpoint of contemporary readings: The focus in its current application is to link performance review of individuals to overall
corporate or strategic planning so that the outcomes of individuals’ performance is related to organizational outcomes.

1.7 Measurement of Performance Appraisals

In terms of performance appraisals of individuals, it is necessary to consider exactly what should be measured or judged in terms of performance. This firstly requires examination of what the requirements of a certain position are. This examination is based upon those at or near an executive position. Dickensen (1993) notes that to address the challenges facing public sector organisations and to place these organisations in positions of future success will require people with distinctive and particular knowledge, skills and attributes or competencies.

Curtain (1993) highlights the key competencies required are those of leadership, stating that “public sector managers at all levels need to be able to display leadership values”. The issue of leadership competencies versus a more traditional managerial skill set is argued by Curtain in terms of good management being related to order and predictability whilst leadership through inspiration, motivation and establishment of common values of staff is able to produce change, “often to a dramatic degree”. In terms of developing future leadership competencies in our staff, one must identify the practices and devote our efforts to developing staff to be able to not only meet challenges as they occur, but to be able to create opportunities and “turn challenges into remarkable successes”.

Some of the traits required of these leaders are identifiable in traditional theories, such as that espoused by Bennis and Nanus (1985), in that, “One aspect of an effective
leader is the ability to manage and communicate meaning; to ensure that those leading can capture the imagination of others and align these behind the organisation goals and priorities”. Also identifiable are those traits discussed by George and Cole (1992) as those of a transformational leader including the ability to think strategically, conceptualise and set visions and missions. They also suggest that they are energetic, charismatic people with excellent communication skills, able to inspire people. The progressive change in mix of skills required as people progress within an organisation is well documented by authors such as George and Cole (1992) and Jansen and de Jongh (1997).

1.8 Cultural context of Performance Management

Armstrong and Baron, (1998)\textsuperscript{14} reported that performance management is an essentially western development originating in the United States, and much of the research into its use and operation has been conducted in a domestic setting. Pucik (1985)\textsuperscript{15} and Vance et al. (1992)\textsuperscript{16} have suggested that cultural differences make it difficult to standardise aspects of performance management practice. Hofstede’s (2001)\textsuperscript{17}, Milliman et al. (1998)\textsuperscript{18}, Fletcher and Perry (2001)\textsuperscript{19}, and Mendonca and Kanungo (1996)\textsuperscript{20} have sought to examine the impact of country culture aspects of the process. A common starting point has been power distance, uncertainty avoidance, individualism / collectivism, masculinity / femininity and long-term / short-term orientation.

What is clear is that these contextual factors pervade all aspects of the performance management process, from the content or aim of the appraisal through the goal-setting stage to the evaluation stage, as well as influencing who provides the feedback and the process or style used to deliver it.
1.9 Performance Management and Talent Management

Any policies or processes to manage talent should be aligned to performance management to ensure that people are developing the right skills and are being challenged to develop themselves to the full extent of their talents.

Talent consists of those individuals who can make a difference to organisational performance, either through their immediate contribution or in the longer term by demonstrating the highest levels of potential. Talent management is the systematic attraction, identification, development, engagement/retention and deployment of those individuals with high potential who are of particular value to an organisation.

The phrase talent management was first used in the late 1990s and popularised by the McKinsey report “The War for Talent”. Originally talent management was a recruitment issue concerned with attracting, selecting and retaining the most talented people needed by the business. However, more recently talent management has also come to encompass identifying and nurturing the talents of people already within the organisation and, as such, performance management has an important role to play in identifying the talent needed for high performance and how to develop and sustain this.

What talent management should not be is performance management in another guise. Talent management is about ensuring the right people with the right skills are in the right place at the right time. Performance management is about ensuring they know what and how to do it when they get there.
1.10 Performance Management and Organisational Performance

In the past it has almost been a leap of faith on the part of HR managers and researchers that if one manages the performance of the individual, organisational performance is expected to follow. Despite our best efforts, individuals were unable to establish that organisations with well-developed performance management practices performed better.

What could be noted is the importance of commitment to the willingness of individuals to perform or exhibit discretionary behaviour in their day-to-day activities, and it is not impossible that a more definitive link could be made between performance management and organisational performance. Previous research found little evidence that performance management processes were specifically designed to drive commitment among employees. Yet it seems logical that if performance management is delivered in a way that promotes trust and positive relationships with line managers, then commitment will follow.

1.11 Application of Performance Management in Enterprise Strategy

Performance management is a process in which managers and employees reach a consensus on responsibilities, goals, and how to achieve success, and also a process of strengthening practical management and driving employees to gain excellent performance. As for the basic functions of human resource management, performance management is the core, which connects closely with every ring of human resource management.
It is significant to note that job analysis is an important base for performance management. Job analysis is to establish the job responsibilities of certain position, by which forming key indicators for evaluating the performance of the position. These indicators are standards for evaluating the performance of employees in the position. Job analysis provides the base for the execution of performance management. Secondly, performance management is an important factor determining the compensation. For different compensation systems and different positions, performance management presents different compensation structures and proportions.

The most important goal of performance management is to know the advantages and disadvantages of employees’ performance in work and improve the performance. Therefore, training is an important part after performance appraisal. After performance appraisal, managers and employees will make up plans for improving future performances based on self-development skills and present performances. A scientific performance management system should drive the improvement of organizational and individual performance, and promote the optimization of business process, and guarantee the final success of enterprise’s strategic objective. Therefore, performance management holds a core position in the two organic systems, namely human resource management and enterprise management. To strengthen performance management has practical significance for improving the management level of the whole enterprise.

1.12 Problems in Performance Management

One vital factor in the process of performance appraisal is to establish indicators, what directly affects the results of performance appraisal. Setting performance indicators scientifically can make the appraisal focus on the target and give employees more
guidance. However, facts prove that there are many problems in choosing performance indicators. For example, the establishment of indicators strays away from enterprise’s strategic objective, which does not reflect the enterprise’s strategic intention correctly. As a result, it fails to direct employees to dedicate to enterprise’s strategic objective. As the enterprise makes up indicators of performance appraisal, managers do not communicate with employees effectively and the appraisal includes the personal favors and disfavors of few leaders. The employees just take the appraisal passively, without initiatives and enthusiasm for participation, which is not conductive to apply performance appraisal or realize organizational aims.

During the process of applying performance appraisal, ranking the results is the most common problem. The most popular method is the compulsory distribution. However, in practice the implementation of this method is less desirable. On one hand, because of the low comprehensive quality of managers and their old thoughts, and they are not familiar with performance management system and performance appraisal, they do not follow the compulsory distribution section and distinguish employees with good job performance from ones with bad job performance as they score the performance. On the other hand, in real performance appraisal in an enterprise, it is often the superior who evaluate his or her subordinate. As the direct superior, the manager may prefer to indulge his or her subordinate. Even if the employee’s daily performance is normal, the manager may give a high score, ruining the rules and the balance of performance management system.

The attitude of employees to performance management, cooperate or not, affects the implementation of performance appraisal greatly. Performance management is
mistaken by employees as a non-confidence of the enterprise. In their eyes, the enterprise uses performance management to restrain and monitor them, punishing them indirectly, and reducing salaries. Therefore, they may produce a sense of resistance toward the implementation of performance management. Without necessary communication between managers and employees, it may lead to misunderstanding between them. In daily work, managers do not record the employees’ daily performance. They have no strong support for their scoring employees. As for problems in daily work, causes for these problems, and how to make improvement, employees do not communicate with managers in time and seek for guidance and help.

Because of ignorance of managers and limited cooperation of employees, performance appraisal becomes a mere procedure. Many employees regard performance appraisal a formalism from the bottom of heart, going through the procedure annually. Nobody makes careful and objective analysis of performance appraisal, or use the results to help employees analyze problems in performances, behaviors, abilities, and responsibilities. As a result, some problems occur again and again and nobody makes any change. Employees cannot know their disadvantages so that they fail to improve themselves and cannot adapt to the needs of enterprise development.

This problem is mainly reflected in two aspects. Firstly, the enterprise does not provide systematic trainings for theories of performance management. Some employees think that performance management is only to complete a performance appraisal form. Secondly, the enterprise does not pay sufficient attention to results of performance appraisal. Results of performance appraisal reflect employees’ achievements and defects during certain term to some extent. However, the enterprise does not offer relevant
trainings for employees in order to update work methods, improve job performance, or help employees achieve successive development.

1.13 Effective Performance Management

Enterprise strategic objective is the basic content of enterprise strategy, the pursuit of enterprise carrying out its mission, and the further strengthen of enterprise mission in some most important fields. The performance management of human resource should be consistent with enterprise’s top-down strategic objective, and also help to improve business process. Only when the enterprise has clear strategic objective, can it decompose strategic objective to each department and position. On this basis, use the tool of performance appraisal to appraise individual performance, and improve performances of employees and enterprise.

To determine the performance indicators, one should communicate with employees, ask their views, and invite them to participate into the process, instead of just delivering decisions from top to bottom. To set up performance indicators, one should reduce subjective and ambiguous contents. It is unnecessary to choose an indicator that seldom associates with work contents. To set up the weights of indicators, the manager should make practical analyses, and establish the degree of importance of each indicator in the whole indicator system before giving relevant weight, in order to achieve the scientific management of performance appraisal. In this case, the enterprise needs to hold an overall analysis and control over self business philosophy, values, business characteristics, and quality of employees. On this basis, performance appraisal system has to be designed that helps to improve labour productivity, and make decisions of salary raise, promotion, and job transfer, serving the development of enterprise.
By means of performance appraisal, find advantage of employees and expose problems, and help employees work better in future. In practice, many enterprises emphasize on the associated incentive of linking compensation with performance appraisal. Besides, they should focus more on other incentives, such as emotional incentive. By means of emotions between superiors and subordinate, between colleagues, enhance the cohesion and solidarity of enterprise. Emotional incentive can achieve better results than material incentive.

Performance management is a scientific and complex management. It involves many aspects: the establishment of enterprise strategic objective, the communication and feedback in the process of implementation, and the use of appraisal results. The quality of managers and employees determines the successiveness and effectiveness of performance management. The effectiveness of organizational performance system depends on various factors. In this context, enterprises should build a complete training system, cultivate employees’ consciousness of trainings, and make scientific plans for trainings. Managers are the backbone of promoting and implementing the system. Employees are direct participants and benefited by trainings. Managers and employees have to be organised to join trainings of performance management and enrich their knowledge in order to avoid subjective judgments and make performance appraisal system effective.

1.14 Profile of SIPCOT Industrial Parks

State Industries Promotion Corporation of Tamil Nadu Ltd. (SIPCOT) was established by the Government of Tamil Nadu in the year 1971 with the specific objectives of playing a catalytic role in the promotion and development of medium and major industries and to hasten the industrial dispersal in backward and underdeveloped
areas of the State. SIPCOT's role is to plan, promote and develop medium and major Industries and its promotional activities comprise of the following:

- Development of Industrial Parks and provision of developed lands at reasonable cost on easy payment terms.
- Provision of financial assistance on liberal terms to medium and major industries, under IDBI Refinance Scheme.
- Implementation of package of incentives for the benefit of entrepreneurs.
- Provision of various ancillary services for the entrepreneurs.

Industrial Parks

SIPCOT has been developing Industrial Parks with all infrastructural facilities required for industries in a phased manner. A brief account of the development of the six Industrial Parks is given below.

1.14.1 Ranipet Industrial Park

The Government of Tamil Nadu in Government Order (G.0) Ms. No. 83 industries dated 20.01.1973 ordered for setting up of an industrial Park at Ranipet by SIPCOT. Accordingly, in the first phase of the Industrial Park, an extent of 729.73 acres was acquired about 8 km from Ranipet Town on National Highway (KH)-4, of this 135.52 acres was used for providing infrastructure facilities. An extent of 576.62 acres comprising 113 plots was developed for allotment to various industrial units. Phase-I was completed at a cost of Rs. 129 lakhs.

This Industrial Park was provided with 2 Million Gallons per Day (MGD) water supply scheme from Palar River and also 0.5 MGD water from bore well supply. Apart
from this, other basic infrastructures like, internal roads, street lights and treated effluent collection system, and first aid centre were provided. SIPCOT has also allotted land for other infrastructure facilities like Tamil Nadu Electricity Board (TNEB) sub-station, Post Office, Telephone Exchange, ESI Hospital and Banks. It has also provided land for setting up two common effluent treatment plants by leather industries out of their own funds. It has also provided building for a Fire Station and Canteen. As a result, most of the allottees have implemented their project, except eight allottees.

Subsequently, taking into account the growing demand for industrial plots, the Government ordered SIPCOT to set up Phase II of the Industrial Park vide G O. Ms. No. 478 Industries dated 20.12.1995. Accordingly, an additional area of 133.13 acres was acquired adjacent to the existing Park and out of which 111.97 acres of land was allotted to 34 industrial units. The scheme cost of Phase II was estimated at Rs. 226 lakhs. The programme of the SIPCOT received a positive response from the entrepreneurs.

As on date, there is no vacant industrial plot available in this industrial Park. The prevailing plot cost is Rs. 5.00 lakhs per acre for both Phase I and Phase II. Considering the demand for industrial plots in this region, Government of Tamil Nadu in G.O. M.S. No. 220 (Industries) dated 20.1.1996 and (3.0. Ms. No. 136 industries dated 14.05.1997 directed SIPCOT to set up Phase III. Accordingly SIPCOT identified 801.96 acres of land, about 5km away from the existing Industrial Park at Lalpet on the Ranipet – Ponnai State Highway. So far, SIPCOT has acquired 486.07 acres of land and yet to commence development Phase III.
1.14.2 Hosur Industrial Park

The Government of Tamil Nadu in G.O. Ms. No. 553, Industries dated 11.01.1974 ordered for setting up of an Industrial Park at Hosur in Dharmapuri District by SIPCOT. This is the second Industrial Park developed by SIPCOT. The first phase of the Industrial Park covering an extent of 1236 acres was acquired about 5 kms from Hosur Town on NH-7. After providing for infrastructure facilities covering 250 acres, an extent of 980 acres was allotted to 187 units in SIPCOT Industrial Park, Phase-I. An amount of 375 lakhs was spent for the development of the Phase-I.

The Industrial Park is having a basic infrastructure facility which includes water, internal roads, street lights, and first aid centre and drainage system. TNEB Sub-station, Police, Station, Fire Station, Telephone Exchange, Central Excise Office, Post Office, Canteen, TNPCB Office, Public Health lab, ESI Hospital, School, Shopping complex are also made available by SIPCOT in the industrial Park.

In view of good demand, the Government ordered SIPCOT to set up another industrial Park as Phase-II in G.O. Ms. No. 1702 Industries, dated 16-1 2- 1980. Additional land to an extent of 457 acres was acquired towards Krishnagiri Road in NH 7. After development of land 395 acres of land was allotted to 77 industrial units. Phase-11 was completed at a cost of Rs 863 lakhs.

As there was further demand for lands from M/s. Ashok Leyland Limited for setting up a new plant, Government of Tamil Nadu in the G.O. Ms.No.207, Industries dated 29-07-1997 directed SIPCOT to set up another Industrial Park as Phase-11,
Expansion-I adjacent to Phase-11 area. The estimated cost of the Phase-11, Expansion-I is Rs. 1500 lakhs.

Accordingly, SIPCOT has acquired an extent of 179 acres and developed 148 acres for allotment. So far, an extent of 104 acres was allotted to four industrial units. To cope with increasing demand for industrial plots, SIPCOT has obtained approval from the Government of Tamil Nadu in the year 2001 to start Phase - II, Expansion - II in area of 239 acres.

1.14.3 Cuddalore Industrial Park

The Government of Tamil Nadu in G.O. Ms. No. 1422 industries dt. 04-10-1980 directed SIPCOT to establish an industrial Park at Cuddalore. Accordingly, SIPCOT identified 518.79 acres of land on the East Coast Road (ECR), about 5 km from Cuddalore New Town. Under the Phase-I of the Industrial Park, out of the total extent of 518.79 acres of land acquired, 75.97 acres of land was allotted to infrastructural facilities and the balance 442.82 acres of land was allotted to industrial units.

3.25 MGD of water supply scheme is available in this Park. SIPCOT has provided treated effluent collection system, internal roads, street lights and the like. Further buildings for other infrastructural facilities like, Fire station, Police station, Telephone exchange, Canteen, Bank, etc. have been provided by SIPCOT. In addition, SIPCOT has allowed M/s. SIPCOT Industries Common Utilities Limited for utilising the existing effluent discharge system for their common marine effluent disposal system. Considering the demand for industrial land in this area, the Government of Tamil Nadu vide G.O. Ms. No. 884. Industries dated 28-1192 directed SIPCOT to acquire additional land to set up
Phase-II of the Park. Accordingly, SIPCOT has so far acquired 154.27 acres of land and an extent of 38.21 acres of land is under acquisition.

In Phase-I, out of the total acquired land of 518.79 acres, an extent of 442.82 acres was allotted to as many as 58 units. As on date no land is available in this area for allotment. Under Phase II, out of total extent of 154.27 acres of land acquired, 104.44 acres of land will be available for allotment. The development works for provision of water supply, laying of internal roads, street lights, etc. are yet to be taken up. Pending execution of development works, so far SIPCOT has slotted 19 acres of land to 3 units. The prevailing allotment rate is Rs. 14 lakhs per acre.

The Government of Tamil Nadu vide its G.O. Ms. No. 179 Industries dated 30.06.97 directed the erstwhile Tamil Nadu Corporation of Industrial Infrastructure Develop Ltd. (TACID) to acquire 1266 acres of land near Cuddalore for setting up an industrial Park Tanning Park. Subsequent to the merger of TACID with SIPCOT, this work was transferred to SIPCOT. The land for this industrial Park has identified Periapattu and Silambimangalam villages which are about 15 kms away from the existing industrial Park. So far, 974.83 acres of land has been acquired and the balance extent 15 is under acquisition. The development work of this Park is yet to be taken up.

1.14.4 Tuticorin Industrial Park

The government of Tamil Nadu in G.O. Ms. No. 383 dated 25-03-1981 and G.O. Ms. No. 242 Industries dated 07-09-1981 issued orders for establishing industrial Park at Melavittan village, Tuticorin district. Accordingly during the year 1984, Tuticorin Industrial Park was established over an extent of 1083.59 acres of land. The total saleable
area is 901 acres, out of which SIPCOT has so far allotted 729.00 acres to 85 industrial units. 62 units are under production.

Presently water requirement of the Park is met from Tanlirabarani river. Fire station, bank, and canteen are functioning in the industrial Park. Exclusive building for Police station has been constructed but it is yet to be occupied. Temporary police out post is functioning in the administration office block. Land has been allotted to ESI hospital but the buildings are yet to be constructed. Full-fledged Telephone Exchange with a capacity of 5000 lines is functioning. Post Office at Madathur (outside Park) is meeting the requirement of the allottees of the Industrial Park. The cost of the plot is Rs.5.00 lakhs per acre. The Government of Tamil Nadu in G.O. Ms. No. 233 (MIG-11) dt. 18-12-1906 accorded administrative sanction for acquisition of 1,616 acres for development of Phase-1I of the Industrial Park. The land acquisition work is in progress.

1.14.5 Cheyyar Industrial Park

Government in G.O. Ms. No. 17, Industries (MIG.II) Department dt. 13.01.1995 accorded approval for setting up of an Industrial Park in Cheyyar taluk, Thiruvannamalai District in an extent of 1350 acres covering Mathur Village, Mangal village and Chellaperumbulimedu village. The Government also directed that the project might be developed in two phases of 600 acres and 750 acres each, so that the first phase of 600 acres could be implemented at a cost of Rs.17.80 crores with all infrastructural facilities. The Cheyyar Industrial Park is located at a distance of 90 kms. From Chennai and 23 kms. From NH-4 and 14 kms. From Kancheepuram on the Kancheepuram – Cheyyar road. From Cheyyar the Park is located at a distance of 17 kms. SIPCOT has so far
acquired 511 acres of land. It is proposed to tap million gallons per day water from Cheyyar River. Development of this Industrial Park is deferred due to lack of demand.

1.14.6 Siruseri Information Technology Park

Government of Tamil Nadu in G.O. Ms. No. 149 Industries, dated 20.5.1998 directed Electronics Corporation of Tamil Nadu Ltd. (ELCOT) to hand over 250 acres of land to SIPCOT for developing an information technology Park at Siruseri, Kancheepuram District. It is located 17 kms. From Chennai city limits on IT State Highway on the Old Mahabalipuram Road.

As the lands proposed for the Park were irregular in shape and also to develop the IT Park in a large area in view of the encouragement from the bigger IT industries, the Government suggested SIPCOT to acquire an additional land of about 750 acres adjoining the original land proposed. Accordingly, SIPCOT is developing the IT Park at about 980 acres of land at Siruseri.

The Scheme cost has been estimated at Rs. 79.70 crores. The Government has accorded alienation / administrative approval for about 868 acres so far. The infrastructural facilities like roads, and street lights have been provided. Seven open wells with a total yield of 0.96 mld have been constructed. A semi-permanent administrative office is functioning.

The area proposed for allotment of developed plots is 686 acres. SIPCOT has so far allotted 65 acres to 9 industrial units. Balance 621 acres is available for allotment. Lands have been allotted to BSNL, VSNL and STPI for the establishment of communication facilities.
This is a functional industrial Park. Computer software industrial units alone are eligible for allotment of plots in this industrial Park. The plot cost has been fixed at Rs. 13.00 lakhs per acre.

Financial Assistance

The financial assistance from SIPCOT for medium and major industries is in the form of term loan under IDBI refinance scheme, seed capital under IDBI seed capital scheme, underwriting the capital issues and participation in equity, lease finance for capital good.

1.15 Limitations

The finding of the study is applicable to SIPCOT industrial region and it does not apply to other industrial estates. The result of the study deals with small and medium enterprises, and large enterprises are not brought under the purview of the present study. In this study, performance measurement has been carried out on the basis of entrepreneurs’ point of view and management point of view has not been covered. This study mainly focuses on organizational performance from the point of view of perceptions.

1.16 Significance of the Study

Reviewing the studies on performance management, studying performance measurement related variables for the small and medium sized industries and observing performance of SIPCOT industrial region are the basis for the study. A theory is a set of interrelated statements defining the relationships among a group of ideas. Theories may be small or big, but all should have research support. A reason for studying performance
management is that the field has a variety of theories that have research support and that can be used to understand and solve managerial problems.

In a competitive environment, measuring performance has become critical to the success of business. Performance measurement aligns organizational resources, activities and processes to the major objectives of the organization. It helps the companies to decide their objectives very clearly and promotes a change in perspective from activities to results. Performance measurement is an ongoing process, rather than a single event and it focuses on various aspects. This study attempts to take a look into the business performance based on profit and credit level, organisational process and strategies adopted, organisational capability and resource utilisation capacity, performance of organisational environment and organisational effectiveness of small and medium enterprises.

1.17 Chapterisation

The present study is divided into five chapters. The first chapter deals with introduction to performance management, need for performance, and performance management process. It also deals with the purpose of performance appraisal, measurement of performance appraisal, performance management and organisational and organisation performance, problems in performance management and profile of the study area. The second chapter provides the review of literature in the area of study. The third chapter focuses on the research design, sampling procedure, data collection procedure, statistical tools used and limitations of the study. The fourth chapter consists of a detailed analysis of both primary and secondary data relating to performance management and study variable. Based on statistical analysis, interpretation and discussion are presented.
The fifth chapter gives a brief summary of findings, suggestions, implications of the study, scope for further research and conclusion.

1.18 Summary

Chapter I of this thesis has dealt with various important aspects of performance measurement of small and medium sized enterprises. The theoretical background of performance management, processes, purpose, measurement, problems and the chosen industrial region SIPCOT are the important contents of this chapter. The significance of carrying out this research work is also highlighted here. The next chapter reviews suitable literature related to this study in order to identify the gap in the study and fulfil the objectives of the research work.
End Notes


