

# **A Study on Organisational Performance of the Small and Medium Textile Enterprises in Coimbatore Region**

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## **ABSTRACT**

*Performance management is a process by which managers and employees work together to plan, monitor and review an employee's work objectives and overall contribution to the organization. Organizational performance is one of the most important constructs in management research. Reviewing past studies reveals a multidimensional conceptualization of organizational performance related predominately to stakeholders, heterogeneous product market circumstances, and time. This paper deals with performance management indicators of small and medium enterprises in Coimbatore region. It outlines the implications of the selected indicators towards overall performance of the small and medium enterprises in Coimbatore region. This paper identifies the variation in measuring the organizational performance among the small and medium enterprises in Coimbatore region. This paper concludes with some interesting findings.*

**KEYWORDS :** *Performance management, Implications, Small and medium enterprises*

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## **I. INTRODUCTION**

Performance management 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 or service, as well as many other areas. This is used most often in the workplace, can apply wherever people interact schools, churches, community meetings, sports teams, health setting, governmental agencies, social events, and even political settings—anywhere in the world people interact with their environments to produce desired effects. Armstrong and Baron (1998) defined it as a "strategic and integrated approach to increase the effectiveness of companies by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors." A performance management system is often used by the managers in order to align the goals of the company to the goals of their employees, thereby ensuring productivity.

Organizational performance is the ultimate dependent variable of interest for researchers concerned with just about any area of management. Market competition for customers, inputs, and capital make organizational performance essential to the survival and success of the modern business. As a consequence, this construct has acquired a central role as the deemed goal of modern industrial activity. Marketing, operations, human resources (HR), and strategy are all ultimately judged by their contribution to organizational performance. Measuring it is essential in allowing researchers and managers to evaluate the specific actions of firms and managers, where firms stand vis-à-vis their rivals, and how firms evolve and perform over time. Its importance as the ultimate evaluative criterion is reflected in its pervasive use as a dependent variable

It may be possible to get all employees to reconcile personal goals with organizational goals and increase productivity and profitability of an organization using this process. It can be applied by organizations or a single department or section inside an organization, as well as an individual person. The performance process is appropriately named the self-propelled performance process. First, a commitment analysis must be done where a job mission statement is drawn up for each job. The job mission statement is a job definition in terms of purpose, customers, product and scope. The aim with this analysis is to determine the continuous key objectives and performance standards for each job position. Following the commitment analysis is the work analysis of a particular job in terms of the reporting structure and job description. If a job description is not available, then a systems analysis can be done to draw up a job description. The aim with this analysis is to determine the continuous critical objectives and performance standards for each job.

Werner Erhard, Michael C. Jensen, and their colleagues have developed a new approach to improving performance in organizations. Their model stresses how the constraints imposed by one's own worldview can impede cognitive abilities that would otherwise be available. Their work delves into the source of performance, which is not accessible by mere linear cause-and-effect analysis. They assert that the level of performance that people achieve correlates with how work situations occur to them and that language (including what is said and

unsaid in conversations) plays a major role in how situations occur to the performer. They assert that substantial gains in performance are more likely to be achieved by management understanding how employees perceive the world and then encouraging and implementing changes that make sense to employees' worldview. Managing employee or system performance and aligning their objectives facilitates the effective delivery of strategic and operational goals. Some proponents argue that there is a clear and immediate correlation between using performance management programs or software and improved business and organizational results. In the public sector, the effects of performance management systems have differed from positive to negative, suggesting that differences in the characteristics of performance management systems and the contexts into which they are implemented play an important role to the success or failure of performance management.

## **II. REVIEW OF LITRATURE**

Armstrong (1994) says that the aims of performance management and human resource management are similar, namely, to achieve sustained improved performance of organizations and employees to ensure that people develop and achieve their fullest capacity and potential for their own benefit and that of their organization. Furthermore, performance management empowers people in a way that latent potential can be realized, and to strengthen or change positively the organization's culture.

Fletcher, (2001) provides for three models of performance management namely; Organizational Performance Management: Managing the performance of the organization. Employee Performance Management: Managing the performance of the employees and Organizational Employee Performance Integration: Integrating the management of organizational and employee performance. According to Armstrong and Baron (1998), Performance Management is both a strategic and an integrated approach to delivering successful results in organizations by improving the performance and developing the capabilities of teams and individuals. Radnor and Lovell (2003) explain the term performance measurement system as a means of gathering data to support and coordinate the process of making decisions and taking action throughout the organization. According to Chang and Young (1995), performance measurement provides organization with focus, direction, a common understanding and knowledge for making better business decision besides providing feedback on the organizational improvement efforts. Because performance measurement is always linked to a goal or an objective, it gives the management the means to maintain control and monitor the progress of the organizations towards achievement of their overall vision. Eccles (1991) argues that these new strategies and competitive realities require new measurement systems because traditional systems that stress on the financial indicators can no longer justify the need of the modern business entities.

Brown (1996), ensures the future success of the organizations. As a result, there is an increasing awareness among today's well-trained managers on the need to search for an integrated performance measurement system that can both strategically measure the financial and operational aspects of their businesses. Waggoner, Neely, and Kennerley (1999) argued that performance measurement in business serves the purposes of monitoring performance, identifying the areas that need attention, enhancing motivation, improving communications and strengthening accountability. Adair et al. (2003) has demonstrated that empirical research is comprised mostly case studies and survey methods, with very few progressive research methods. Lebas (1995) characterizes performance management system as the philosophy supported by performance measurement. It is the organization-wide shared vision, teamwork, training, incentives, etc. that surround the performance measurement activity. Holloway (2001) reports that much of the literature exists on particular models and frameworks for performance measurement but they do not include the much evidences of failed systems describing and analyzing of problems of performance measurement.

## **III. METHODS AND MATERIALS**

This study aims at identifying the indicators of performance management of the small and medium enterprises in Coimbatore region. This study examines the areas of performance management. The indicators of performance management are identified under exploratory research method. The identified variables are cross tabulated with the socio economic status of the entrepreneurs and it constitutes the analytical frame work of the study. Thus this study is partly exploratory in nature and partly analytical in nature. This study covered 200 small and medium enterprises in Coimbatore region. The relevant data are collected from the respondents with the help of questionnaire method. The collected data are classified and tabulated with the help of computer programming. The data interpretation is done with the help of ANOVA two way test, t test and averages

### **Organizational Performance Management:**

This section deals with respondents' rating on organizational performance management. It was assessed with the help of 18 factors on a 5 point rating scale. These include effective management of future success of the organization, acknowledgement of importance and value of performance managements, management of performance based on feedback, positive attitudes towards performance management,

performance management information within the organization timely and easy to understand, performance management data being routinely converted into knowledge deep insight and wisdom, performance management system fosters decisiveness, transparency and collaboration, performance management system fosters cross functional collaboration, stakeholders understand the cause and effect relationship, dependencies and trade off among key performance measures, performance management system provides the insight and foresight to guide high quality decision making, holistic decision through integrated data management, performance management system is based on organizational priority, difficult to measure intangible values on talents, knowledge and innovation, organization opens to experimentation with new innovative and cross functional performance management, positive dialogues about the performance management in staff and management meetings, performance management system is flexible to adopt increasing complexity and changing circumstances, performance management is monitored, reported and rewarded and major efforts in the organization to educate the members about performance management.

Data presented in table 1 indicate the enterprise wise respondents' rating on indicators of organizational performance management. It could be noted that out of the 18 organizational performance management indicators, the respondents rate the acknowledgement of importance and value of performance managements as their first level and it is evident from the mean score of 4.12 on a 5 point rating scale. Performance management system fosters cross functional collaboration is rated at second level indicator of the organization and it is evident from the respondents' score of 4.03 on a 5 point rating scale. The respondents' rate the merit of the organizational performance management by citing the fact that performance management is monitored reported and rewarded at third level. It is evident from the mean score of 3.99 on a 5 point rating scale. The respondents have ranked at fourth level of the organizational performance management indicator by citing the fact that the positive dialogues about the performance management in staff and management meetings and it is observed from the respondents' mean score of 3.88 on a 5 point rating scale. Performance management data being routinely converted into knowledge deep insight and wisdom is rated at fifth level and it could be known from the respondents' mean score of 3.80 on a 5 point rating scale.

**Table 1: Enterprise Wise Respondents' Rating on Indicators of Organizational Performance Management**

Variables	Small enterprise	Medium enterprise	Mean
Effective management for future success of the organization	2.79	3.41	3.10
Acknowledgement of importance and value of performance managements	4.01	4.23	4.12
Management of performance based on feedback	1.83	2.15	1.99
Positive attitudes towards performance management	2.69	3.31	3.00
Performance management information within the organization timely and easy to understand	2.25	2.67	2.46
Performance management data being routinely converted into knowledge deep insight and wisdom	3.59	4.01	3.80
Performance management system fosters decisiveness, transparency and collaboration	2.87	3.49	3.18
Performance management system fosters cross functional collaboration	3.72	4.34	4.03
Stakeholders understand the cause and effect relationship, dependencies and trade off among key performance measures	1.93	2.35	2.14
Performance management system provides the insight and foresight to guide high quality decision making	2.55	3.17	2.86
Holistic decision through integrated data management	3.03	3.65	3.34
Performance management system is based on organizational priority	1.96	2.58	2.27
Difficult to measure intangible values on talents, knowledge and innovation	3.50	3.88	3.69
Organization opens to experimentation with new innovative and cross functional performance management	2.27	2.89	2.58
Positive dialogues about the performance management in staff and management meetings	3.57	4.19	3.88
Performance management system is flexible to adopt increasing complexity and changing circumstances	3.26	3.88	3.57
Performance management is monitored, reported and rewarded	3.83	4.15	3.99
Major efforts in the organization to educate the members about performance management	2.52	3.02	2.77
Average	2.90	3.41	3.15

Source: Computed from the primary data

**Statistical Value 15.84, Df 17, t Critical Value 1.73**

The respondents rated the difficult to measure intangible values on talents, knowledge and innovation as the sixth level indicator of the organizational performance management and it is revealed from the mean score of 3.69 on a 5 point rating scale. Performance management system is flexible to adopt increasing

complexity and changing circumstances is rated as seventh level indicator and it observed from the respondents' mean score of 3.57 on a 5 point rating scale. The respondents' have rated the holistic decision through integrated data management at the eighth level ranking. It is evident from the mean score of 3.34 on a 5 point rating scale. The respondents have rated the indicator of organizational performance management viz performance management system fosters decisions, transparency and collaborate at ninth level based on the mean score of 3.18 on a 5 point rating scale. Effective management for future success of the organization is rated as tenth level indicator of the organizational performance management and it is evident from the respondents mean score of 3.10 on a 5 point rating scale. The respondents have rated positive attitudes towards performance management as their eleventh level indicator of the performance system and it could be known from the mean score of 3.00 on a 5 point rating scale. Performance management system provides the insight and foresight to guide high quality decision making is rated as the twelfth level indicator of the organizational performance management system and it is reflected from the respondents mean score of 2.86 on a 5 point rating scale. The respondents have ranked at thirteenth level the indicator of the organizational performance management viz major efforts in the organization to educate the members about performance management based on the mean score of 2.77 on a 5 point rating scale. The respondents have ranked at fourteenth level, the indicator of the organizational performance management viz that organization opens to experimentation with new innovative and cross functional performance management with a mean score of 2.58 on a 5 point rating scale. Performance management information within the organization timely and easy to understand is rated as fifteenth level indicator of the system as per the respondents mean score of 2.46 on a 5 point rating scale.

The respondents have rated the performance management system is based on organizational priority as their sixteenth level observed indicator of the organizational performance system and it could be known from the mean score of 2.27 on a 5 point rating scale. Stakeholders understand the cause and effect relationship, dependencies and trade off among key performance measures is rated as seventeenth level indicator of the organizational performance system and it is reflected from the respondents' mean score of 2.14 on a 5 point rating scale. The respondents have rated the management of performance based on feedback as their eighteenth level indicator of the organizational performance management system and it is revealed from the mean score of 1.99 on a 5 point rating scale.

The medium enterprise group respondents' have ranked at first position at the overall rated indicators of organizational performance management with a mean score of 3.41 on a 5 point rating scale. The small enterprise group respondents' have come down to the second position in their overall rating of organizational indicators of performance managements and it is evident from the mean score of 2.90 on a 5 point rating scale.

The t test was applied for further discussion. The computed t value 15.84 was greater than its tabulated value at 5 per cent level significance. Hence there was a significant difference between medium enterprise group respondents' and small enterprise group respondents' in their overall rating of indicators of organizational performance managements.

#### **IV. CONCLUSION:**

It could be seen clearly from the above discussion that the respondents have rated at high level organizational performance management indicators such as acknowledgement of importance and value of performance managements, performance management system fosters cross functional collaboration, performance management is monitored, reported and rewarded, positive dialogues about the performance management in staff and management meetings, performance management data being routinely converted into knowledge deep insight and wisdom, difficult to measure the intangible values on talents and knowledge and innovation and performance management system is flexible to adopt increasing complexity and changing circumstances with a mean score above 3.50 on a 5 point rating scale. The respondents have reported at moderate level organizational performance management indicators such as holistic decision through integrated data management, performance management system fosters decisiveness, transparency and collaboration, effective management of future success of the organization, positive attitudes towards performance management, performance management system provides the insight and foresight to guide high quality decision making, major efforts in the organization to educate the members about performance management and organization opens to experimentation with new innovative and cross functional performance management with a mean score in the range of 2.50 to 3.50 on a 5 point rating scale. The respondents have rate at low level indicators of organizational performance management by indicating the facts that performance management information within the organization timely and easy to understand, performance management system is based on organizational priority, stakeholders understand the cause and effect relationship, dependencies and trade off among key performance measures and management of performance based on feedback with a mean score below 2.50 on a 5 point rating scale. It could be observed that the medium enterprise group respondents have ranked overall indicators of organizational performance management first and small enterprise group respondents' the last.

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