

**A FRAME WORK FOR PERFORMANCE  
MEASUREMENT OF INDIAN SMALL AND MEDIUM  
SIZE ENTERPRISES (SMEs)-AN OPERATIONS VIEW**



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## **Declaration**

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## **Abstract**

The Small and Medium size Enterprises (SMEs) are considered to be one of the major source of economic growth and job creation of a nation. Thereby they play a major role in poverty alleviation and improve the living standards of people across diverse economies across world. Similarly, Indian SMEs are also playing important role in building national and regional economies. With wide scope for potential opportunities for SME firms within given existing barriers, this study looks at their production operational measures. To be precise we will look at the manufacturing operations performance (MOP) measures as drivers of SMEs business performance (BP). In lead attains lag approach, unless plant managers seek improvements in MOP there exists a disorientation of results in business performance objectives (Perry, 2001). BP objectives are usually income-based financial figures and they measure consequences of past decisions rather than indicating future performance. We have done an extensive review of literature related to generic performance models. Further synthesis of literature, the literature has linked to SME performance models and firm MOP & BP measures. As an outcome, it showed numerous models that are available to measure performance of firms, where large attention has been given to financial indicators. The studies lacked the focus on SME firm's MOP (non-financial) indicators. The existing literature does not provide explicit models that link MOP and BP in which SMEs are operating, especially in the Indian context. Small businesses may fail due to the non-accuracy of financial information given the typical characteristics in the Indian scenario. Sensing this gap, this study takes an integrated approach of linking results (financial, market, export

performance) and those measures which focus on the determinants of the results (innovation, quality, costs, time and flexibility). Starting with this approach, it possible to build a SME performance measurement framework around BP-results and MOP-determinants.

This study sets out not only to review the MOP & BP of performance measurement of SME firms per se, but also to contribute to a critical theory debate through the presentation and use of a mediating constructs Information and Communication Technologies (ICT) and developing relevant training needs (TNG) while developing a framework. Prior studies has shown that ICT and relevant TNG play a vital role in BP improvement. Consequently, a hypothesis is developed, indicated by the literature, which focuses on Innovation, Quality, Cost, Time and Flexibility as drivers of SMEs MOP to BP indicators (Sales, ROS, Growth and Export) with a set of mediating variables ICT and relevant Training. Through this an attempt is made to extend the understanding of the impact of MOP along with ICT and relevant TNG on BP. A survey based research of SMEs manufacturing firms has been conducted to test the proposed model and set of hypotheses drawn. Smart PLS3 is used as statistical tool to analyze the data. Results show that MOP is an important construct impacting the BP. The main contributions of this study are discovering the mediation role of ICT and relevant Training needs (TNG) on the MOP-BP relationship. ICT and relevant TNG individually and together fully mediates the MOP-BP relationship. The empirical results can assist SME owner-managers to develop a more in-depth understanding of the mechanisms underlying MOP-BP relationships. Practitioners and managers should not overlook these basic elements of day-to-day operations measures because perceived MOP indicators

from this study has been shown a significance influence on BP. This study demonstrate how MOP measures improve BP by understanding the relations among ICT adaptation and attaining SMEs employees training needs. A high level of ICT and TNG should be pursued to effectively transform MOP into performance. This may further enable Indian SMEs participative in "Make in India" reforms with focus on operational measures as drivers for performance and competitiveness.

**Key words:** Performance Measurement, SMEs, ICT, Training, Manufacturing Operations, Business Performance, India

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