Innovative System for Measuring SMEs Performance

Abdel Moneim M. B. Ahmed, Professor of Management Sciences, UAE Academy Abu Dhabi, UAE

Abdullah A. Abonamah, Professor of Management Sciences, UAE Academy Abu Dhabi, UAE

ABSTRACT

This paper refers to the increasing interest in the development of theoretical frameworks in the area of measuring business performance. Companies of all sizes have used them to test different business policies and strategies. Literature shows that these frameworks do not provide an effective and robust system, which is needed in today’s dynamic market. For example, the existing frameworks do not relate to the actual strategies in place. Also, none can be considered generic, which makes any attempt of integrating measures and performance indicators virtually impossible. The authors discuss this problem and propose an efficient and flexible system for measuring small and medium-sized enterprises (SMEs) performance. A computer-based tool to select the appropriate measures and performance indicators to support the implementation process of company’s strategic goals is also presented.

Keywords: Innovation, Key Performance Indicators, Small and Medium-Sized Enterprises (SMEs), Small and Medium-Sized Enterprise (SME) Performance, Stakeholders

INTRODUCTION

The paper is part of an ongoing research into developing a “Surpetitive Framework” for Small-to-Medium enterprises. Specifically, it addresses the problems associated with existing organizational performance measurement system frameworks. It highlights the importance of developing a computer-based system to select the appropriate measures that indicate company’s performance. The paper is divided into three parts. The first part briefly explains the various components of the “Surpetitive Framework” and the reasons of the selection decisions of these components.

The second part emphasises the key role a well-integrated performance measurement system plays in affecting the behavior of individuals towards continuous improvement within an organization environment. The third part discusses two of the most frequently applied frameworks and highlights their pitfalls with discussion and cross-comparisons to the proposed “Surpetitive” Framework. The paper ends with detailed description as well as a theoretical justification of the content of the developed computer based system and conclusions are then drawn.

DOI: 10.4018/ijcrmm.2013100101
Surpetitive Framework

The Surpetitive Framework consists of four inter-related components. The first component is the foundation, which comprises three layers named: Layer one (the purpose), which is a company’s moral vision. Layer two (business values), represents all individual and organizational values. These two layers are further interpreted in Layer three (mission statements).

The second component consists of six pillars:

1. Innovation;
2. Learning process, individual’s knowledge and information systems;
3. Resources utilization;
4. Reward schemes;
5. Benchmarking techniques; and
6. Stakeholders’ relationships.

The third component - the central column (Performance Measurements) represents the appropriate measures that signal how a company is performing towards achieving its goals and targets. Ahmed and Abdalla (1999) pointed out that component four represents the roof (effective leadership) that manages all those activities carried out internally and externally. All these four components are shown in Figure 1 and described in more detail in the following sections.

Component One: The Foundation

The framework architecture begins with the foundation. Three layers were identified as the purpose (vision), business values, and the mission statement.

The Purpose “Vision”

Despite its apparent importance, vision definition is still not generally agreed on, which is an important issue because empirical research on vision may be affected by the various ways in which vision has been defined. At present, vision definitions range from a goal-oriented mental construct (Seeley, 1992), a force field whose formative influence leaders can use to create a power, not a place (Wheatley, 1999), and a mental model each leader defines (Kantabutra, 2008b). Accordingly, existing studies into vision are complicated by the fact that vision is frequently confused with, or even deliberately combined with, mission, goals, strategy, values, and organizational philosophy (Kantabutra, 2008b).

Several authors such as Peters (1987) and Senge (1990) emphasized in their research work the importance and need for setting a clear and realistic vision in the process of formulating certain strategy for an organisation. Senge (1990) argues that two types of vision exist: positive and negative visions, and only a few exceptional studies (Baum et al., 1998; Kantabutra, 2003; Kantabutra, 2008a) have investigated various vision characteristics and their impact on organisational performance, a need to develop a conceptual model to identify what characterise “positive” or “negative” visions is identified. Maslen (1996) defined manufacturing company’s vision as a description of the set of manufacturing capabilities that a business intends to develop. He described either realised or intended capabilities as a group of resources, which are a combination of structural, infrastructure and human resources. Maslen (1996) also explained that the method for creating vision consisted of four mainsteps: generate ideas; cluster ideas; refine vision; and prioritize vision, as illustrated in Figure 2.

This involves a weighting balance between three techniques - interviews, focus group and steering group workshops - to ensure wide participation and build commitment for the results. The four major components involved in creating a vision are outlined below:

1. Generate Ideas: There are two techniques, which can be used effectively in developing new ideas. The first is carried out by an open brainstorming session between various levels of an organization’s structure. The second is conducted by systematic analysis of the current system, market requirements, competitors’ capabilities, best practice...
Related Content

A Hero Who Never Dies: Steve Jobs in His Fans’ Minds
www.igi-global.com/chapter/a-hero-who-never-dies/190232?camid=4v1a

Customer Empowerment and Satisfaction through the Consultative Selling Process in the Retail Industry
www.igi-global.com/article/customer-empowerment-and-satisfaction-through-the-consultative-selling-process-in-the-retail-industry/212719?camid=4v1a

Study of the Automatic Evaluation of Website Quality from Customer Insight: A Case Study of the Most Visited News Websites as Influential Social Media Tool
Molood Arman, Hassan Hajipoor and Babak Sohrabi (2015). Strategic Customer Relationship Management in the Age of Social Media (pp. 178-197).
www.igi-global.com/chapter/study-of-the-automatic-evaluation-of-website-quality-from-customer-insight/133516?camid=4v1a
CRM Scale Development and Validation in Indian Telecom Sector
[www.igi-global.com/article/crm-scale-development-and-validation-in-indian-telecom-sector/83584?camid=4v1a](www.igi-global.com/article/crm-scale-development-and-validation-in-indian-telecom-sector/83584?camid=4v1a)