

PERFORMANCE MEASUREMENT IN SMEs

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Abstract: *Manufacturers in many industries face worldwide competitive pressures. These manufacturers must provide high-quality products with leading-edge performance capabilities to survive, much less prosper. There is intense pressure to produce high-performance at minimum-costs.*

The customer is the principal judge of quality. Perceptions of value and satisfaction are influenced by many factors throughout the customer's overall purchase, ownership, and service experiences. To accomplish this task, an organization's efforts need to extend well beyond merely meeting specifications, reducing defects and errors, or resolving complaints. They must include both designing new products that truly delight the customer and responding rapidly to changing consumer and market demands. An organization that is close to its customer knows what the customer wants, how the customer uses its products, and anticipates needs that the customer may not even be able to express. It also continually develops new ways of enhancing customer relationships. The companies must use performance management and measurement systems derived from their strategies and capabilities (Kaplan and Norton, 1992).

Performance measures should be linked to an organization's strategy in order to provide useful information for making effective decisions and shaping desirable employee behavior.

Keywords: *small and medium sized enterprises, performance management, performance measures, performance measurement system, organizational performance*

1. Introduction

In a world of global competition, a company has to deliver services more effectively and more efficiently than its competitor. This is especially difficult for small and medium sized enterprises (SMEs) due to their relative lack of organizational and management skills, lack of strategic planning and shortage of working capital. They are more vulnerable than the bigger, more stable companies whenever business circumstances change. They must spend their resources in areas, which ensure their business sustainability in the future.

In order to assist companies achieves their goals and objectives, performance measures are

used to evaluate, control and improve processes. Quality control is responsible for transforming quality planning and quality improvement outcomes into daily routine work. Quality control can be implemented by systematically going around the Plan, Do, Check, Act (PDCA) control cycle, with which organization may achieve continuous small steps of improvement.

Performance measures are utilized to compare the performance of organizations, plans, teams and individuals as well as to assess employees. Measurement induces curiosity, interrogation and challenging the way things are done.

Kaydos (1999) defines five major reasons for companies to measure performance: