Abstract

The performance of MSMEs in India is seriously affected due to lack of competent manpower as brought out in the PMs TF Report on MSMEs (2010). For several years competency management has been suggested as a way to more effectively utilise employee skills in the corporate workplace. Today, almost every organization with more than 300 people uses some form of competency-based HRM. The overall objective of this study was to investigate whether higher level of employee competencies could enhance the financial performance of MSMEs, and in the process identifying which ones and to what extent.

Being a descriptive study, survey method was adopted on a randomly selected sample of 100 MSMEs from MIDC PCMC area in Pune’s automotive industry with a population of 2266 MSMEs, using proportionate stratified sampling technique. The data was collected by a likert-scale based questionnaire administered by the researcher himself to all the MSME owner-managers as respondents. The data was subjected to Cronbach-Alha reliability test, and thereafter analysed using basic statistical measures for computation of percentages, non-parametric tests like Spearman’s Correlations, and Logistic Regression test. Factor Analysis was also done.

The study identified 15 employee competencies grouped under three heads: ‘value-based organisational core competencies’, ‘functional competencies’ and ‘leadership competencies’. The study showed that MSMEs with higher competency levels have greater impact on profitability. Amongst the three heads, ‘core competencies’ were assessed as the most significant, with ‘Quality Consciousness’ as its key contributor. ‘Planning and organising competency’ was considered as the most significant amongst ‘leadership competencies’, while ‘Adaptability to new technology and change’ scored highest amongst ‘functional competencies’. Training and development of competency levels of employees would enhance financial performance.

The study recommended institutional support for HR driven enterprise-wide competency management in all MSMEs to enable them to properly focus their resources for higher returns. Competent manpower should be freely available for MSMEs through Government’s National Skill Development initiative and pragmatic application of the Apprentices Act. Like large enterprises, competency-based
recruitment and training practices should be adopted by the MSME sector also. And finally, Quality management practices need to be institutionalised in MSMEs, with Government support through NMCP schemes like QMS and QTT.