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Standards and Metrics for Assessing Small Businesses' Performance In the Service Industry

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INTRODUCTION

It is necessary to establish methodologies that enable the evaluation of small service firms' operations in order to determine the paths of efficient development, while accounting for their unique characteristics.

Studies indicate that there are several aspects of small service company management that need to be considered when assessing how well these businesses are developing.

Due to their tiny size in comparison to comparable measures for larger companies, the old small company metrics that were focused on calculating sales and market share are becoming obsolete.

Other methodological techniques based on essentially different measuring objects than revenue and market share must be introduced for small businesses. The objectives of small businesses in the service industry must be split into two categories based on the substance of management activities: the first category includes obtaining client loyalty, while the second category includes fulfilling goals related to economic, administrative, technical, and service value management. Setting objectives causes a specific small firm's business philosophy to transform into a detailed action plan for achieving those goals, which may include:

1) to identify the primary strategic directions and initiatives that the company should carry out to fulfill its objectives;

2) to ascertain the precise metrics for quantity and quality that the small service business seeks to attain.

Getting consumers to be loyal to you, taking over particular sales markets, bringing in more business by drawing in new clients, and being a leader in customer focus are all objectives associated with gaining customer loyalty.

Enhancing sales profitability, bolstering the small business's financial stability, boosting overall firm profitability, and so forth are the economic objectives of the enterprise.

Utilizing scientific and technology advancements to enhance productivity, workspace quality, and equipment for workers is one of the technological aims.

Service quality has an impact on the goals of service management.

Achieving a small business's high level of managerial skill, raising employee motivation, lowering staff turnover, fostering trustworthy relationships amongst workers, maintaining strong discipline, and ensuring consistency in employee work are all examples of administrative aims.

The assessment items should be in line with the goals of the service enterprise. These goals include:

- 1) customer loyalty;
- 2) financial resources;
- 3) material and labor resources;
- 4) quality of service;
- 5) overall efficiency of small enterprise management activities.

The scientific works of scientists, both domestic and international, are devoted to the study of techniques and metrics for evaluating a small business's material, labor, and financial resources as well as its technical and service processes and overall management effectiveness. All commercial organizations' economies are analyzed using these metrics. We have modified several indicators specifically for small service firms because they have several features.

The indicators utilized in the account should be more general due to the variety of activities that service industry firms engage in. Furthermore, a customized strategy is necessary due to the unique attributes of small businesses, such as low liquidity and favorable taxes. The approach for evaluating the socio-economic efficiency of small service firms must be used at the micro level. To ascertain the overall indication of a small enterprise's management effectiveness, we provide an integrated indicator:

$$K = \sum_{i=1}^n W_i K_i ,$$

here: K_i - indicator blocks,

W_i – weight of individual blocks.

For the integral indication, one is the suggested value. An indicator's lower value suggests that the business is having issues. By developing a set of indicators for assessing the management performance of a small service industry firm, we in this study coordinate the technique of computing the integral indicator for service industry companies. Due to several indications, the suggested assessment approach is particularly practical for businesses engaged in commerce and catering.

The five analysis categories that correspond to the primary business operations of the small service organization are formed by combining the indicators.

I. Effectiveness of customer loyalty management in a small service enterprise.

For all service businesses, the assessment of client loyalty is the most significant measure of managerial efficacy. This is particularly true for small enterprises, where a strong competitive edge over bigger corporations comes from a customer-focused approach. client satisfaction is the primary criterion for the operations of businesses in the service sector, and client capital is the primary asset of a small firm. The major driver of profitability and long-term growth of a firm in "service profit chains" is customer loyalty, as highlighted by US academics E. Sasser and F. Reichheld.¹

¹ Reichheld F. Zero Defects: Quality Comes to Services/ F. Reichheld, W.Sasser // Harvard Business Review. 2010. Sept-Oct.

This aspect of small business management in the service industry necessitates a generalization of the methodological approaches to customer satisfaction that are employed in local and international practice.

National customer satisfaction indices (NCSI) are employed for these reasons in the majority of nations worldwide. Examples of such indices include the Swedish national index (SNI), the American national index (ANI), the European consumer satisfaction index (ECSI), etc. Some of the methods used for assessment are in-person interviews, phone interviews, questionnaires with a simple numerical scale, and ordinal scales (e.g., not entirely pleased - not completely happy - more or less satisfied - more fully satisfied - fully satisfied). Thus, the American National Index (ANI) utilizes a scale of 1 to 10, whereas the Swedish Customer Satisfaction Barometer (ECSI) uses a range of 1 to 100. The strategies under consideration are predicated on contrasting perception and expectation values. Customers are less happy when there is a larger difference between their expectations and perceptions. The SERVQUAL approach, derived from the English word "service," was initially put out by American scholars Parasuraman, Berry, and Zaitaml in 1985. This notion serves as the foundation for the method².

The GAP model has shown to be effective in managing the quality of home services and has been effectively applied to the examination of the quality of several service categories, including healthcare, consultancy, and tourism. Three American scientists (A. Parasuraman, V. A. Zaitaml, and L. L. Berry) presented this hypothesis. It is predicated on the detection and evaluation of disparities (gaps) between expectations and perceptions during the provision of services. Finding the reasons for discrepancies is crucial for controlling the caliber of domestic services.

The TLR (Temkin loyalty rating) coefficient technique, which was created by the US consulting firm "Temkin Group" to examine customer satisfaction levels for businesses whose products or services were bought during the previous 60 days, is another methodological approach.

International academics have devised a technique based on analyzing the actions of customers who contacted a retail chain's call center in order to assess customer happiness. The percentage of FCR (first contact resolution) calls that result in a successful resolution following the initial call serves as the primary indicator in this case.

Recency, frequency, monetary value, or RFM, is a widely used indicator for assessing customer happiness. It establishes a customer's worth by examining how long and how often it has been since their previous purchase. The entire amount he spent on goods and purchases during this time:

- Recency (R): the last order's recency is determined by calculating the number of days that separate the current date and the order date;
- Frequency (F) represents the total number of orders placed by the client during the course of the customer monitoring history;
- Monetary (M): The entire sum of money that the client has ever spent³.

In the USA, a team from INRA and Deloitte Touche Tohmatsu Limited—an worldwide provider of professional services—proposed an additional analytical approach. This study aims to assess customer satisfaction within the same sector in EU member states, as well as consumer satisfaction across sectors within a single EU member state. Networks covered by this system

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³ RFM-анализ [Электронный ресурс]/ Институт бизнес-аналитики. – Режим доступа: <http://insba.ru/articles/article/rfm-analiz/>

include utilities (gas, water, and electricity); postal services; mobile and landline phones; urban transportation (train, bus, metro, tram) in small and big cities; suburban transportation (railroad, bus) in between small and large towns; air transportation; financial services; and insurance. There are 49 latent variables, drivers, and measurable variables in this technique⁴.

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⁴ Directorate General for Health and Consumer Protection Development of indicators on consumer satisfaction and Pilot survey. Final Report [Electronic resource]. - 1 February, 2005.-Mode of access: <http://ec.europa.eu/>