



Corporate Governance in A Service Company Using a System of Performance Indicators

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ABSTRACT

The article deals with the issues of improving corporate governance in the service company using a system of performance indicators. The relevance of the research topic is due to the contradiction between the high economic and social significance of the problem and the underestimation of the implementation of KPI in the practice of domestic management. The author reveals the essence of the concept of “key performance indicators” and considers the point of view of researchers. As a result of the study of definitions of KPI developed by domestic authors, it was concluded that there is no single approach to the definition of this concept. The author holds the point of view that KPIs are an element of strategic management if they are subordinated to the solution of the tasks facing the enterprise. The article discusses the experience of development and implementation of the KPI system on the example of a service company. The stages and results of the process of implementation of key performance indicators are considered.

Keywords:

corporate governance, key performance indicators, KPI system, service company

Introduction

In modern conditions, great importance is attached to the issues of improving corporate governance as one of the conditions improving the efficiency of the enterprise. Increasing the efficiency of the enterprise, regardless of the form of ownership and type of activity, is impossible without staff motivation. The interest of employees in achieving higher performance indicators depends on this, and, consequently, the ability of personnel to successfully solve the problems facing the enterprise.

One of the areas for improving corporate governance is the development and use of a system of key performance indicators (KPI). Through the introduction of KPI, the task of increasing the motivation of personnel is solved, the management of the enterprise's business

processes is improved. However, not always business leaders realize the need to develop and implement KPI.

The relevance of the research topic is due to the contradiction between the high economic and social significance of the problem of improving corporate governance using a system of performance indicators, and the underestimation of the implementation of KPI in the practice of domestic management.

Within the framework of this article, issues of improving corporate governance using a system of performance indicators are considered on the example of Federal Service Company LLC. The choice of a service company as an object of study is due to the specifics of the activity of this enterprise, aimed at maximum satisfaction of the wishes of customers, which is a condition for competitiveness in the market. The scientific

novelty of the study lies in the theoretical substantiation of the use of KPI in relation to the conditions of a service company as a mechanism for improving the efficiency of staff work. As part of the study, a methodical approach to the development and implementation of KPIs in the conditions of a service company is proposed, key indicators for determining the effectiveness of the enterprise's activities and indicators for their measurement are identified.

The concept of "key performance indicators"

For the first time, the system of key performance indicators (KPI) was developed by American researchers R. S. Kaplan and D. P. Norton, who put forward the idea that the company's performance should be considered in terms of the conditions that were overcome to achieve them. [4] (Kaplan, Norton, 2005). So, considering the profit of an enterprise received from the sale of goods or services, it is necessary to take into account indicators that affect its value (organization of business processes, indicators characterizing human resources, consumer satisfaction with the quality of products or services). Consider the definitions of KPI given by domestic authors. So, D. Tkalic considers this concept as an assessment system, which can be both financial and non-financial, used to assess the degree of achievement of the company's goals and identify factors that hinder this [9] (Tkalic, 2010). Thus, D. Tkalic points out that the system of key indicators is a tool for the strategic management of an enterprise. N. Bereza defines KPI as a set of indicators for evaluating the performance of personnel. Thus, the specified author limits the scope of key performance indicators to the sphere of personnel management [7] (Rudenko, Degtyar, 2017). A. Gavriluk defines the concept of "key performance indicator" as a coefficient characterizing the degree of achievement of the goal [7].

V. Petrova, based on the analysis of the meaning of the word performance in the abbreviation KPI, indicates that this term should be interpreted as key performance indicators [7].

T. M. Lobanova defines KPI as data that allows to evaluate the work of personnel [7].

L. G. Rudenko, N. P. Degtyar define the concept of "key performance indicators" as a system of financial and non-financial indicators characterizing the result of achieving the strategic and tactical goals of an enterprise [7]. Thus, domestic researchers have not developed a unified approach to the definition of the concept of "key performance indicators". Based on the study of various definitions of this concept, two points of view that have developed in domestic science regarding the nature and scope of KPI can be distinguished. According to the first one, KPIs are considered as a tool for strategic enterprise management. According to the second, the use of KPI is limited to the field of personnel management. We believe that key performance indicators used to evaluate the performance of personnel are an element of strategic management if they are subordinated to solving the problems facing the enterprise. Consider the components of the KPI system. R. S. Kaplan and D. P. Norton suggested highlighting the key ones among the many analytical indicators that are difficult to perceive. There are four blocks in the classical scorecard:

- the first block is the mission and strategy of the company;
- the second block – internal business processes;
- the third block – personnel training and development;
- the fourth block - consumers of products or services [4].

In turn, each of the blocks includes goals, indicators, tasks, activities.

N. N. Kondrasheva identifies three types of key performance indicators (KPIs):

- the first type - KPI, indicating the general state of affairs;
- the second type – indicators of business processes (indicate what exactly should be done);
- the third type - KPI, indicating how it is possible to increase efficiency [3] (Kondrasheva, 2013). G. A. Eremina distinguishes three components of KPI:
 - the first component – "competencies" (includes personnel assessment by

determining competencies based on the characteristics of the position held by the employee and assessing compliance with the requirements);

- the second component is the “process” (assessment of compliance with current activities, norms and rules established in the company);
- the third component is the “result” (assessment based on the comparison of the result obtained with the planned indicators) [2] (Eremina, 2015).

The development of KPI is preceded by a thorough analysis of the internal business processes of the enterprise, on the basis of which indicators are determined that have a key impact on the performance of the enterprise as a whole, individual structural units and employees. Let us consider in more detail the algorithm for developing key performance indicators. O. E. Bekhtina determined the following procedure for developing KPI [1] (Bekhtina, 2016). The whole process is divided by her into several successive stages:

Stage 1 - determination of the strategic goal of the company;

Stage 2 - development of a strategic map;

Stage 3 - determination of indicators that play a key role;

Stage 4 - determination of indicators for measuring indicators;

Stage 5 - development of measures (programs) aimed at improving the work of the company (individual structural divisions);

Stage 6 - development of reporting in accordance with certain key performance indicators.

During the development of the KPI system, both quantitative and qualitative indicators are taken into account. The algorithm for developing key performance indicators proposed by O. E. Bekhtina was taken as a basis during the implementation of KPI at Federal Service Company LLC.

Features of the development and implementation of KPI within a service company

The object of the study is the activities of Federal Service Company LLC. Currently, the company is one of the leaders in the maintenance of engineering systems. It provides services for comprehensive maintenance, automation, dispatching and monitoring of engineering equipment of air conditioning and climate control systems in institutions and organizations of various profiles. Also, Federal Service Company LLC provides outsourcing services for engineering personnel. In the structure of sales, 58% of revenue falls on service maintenance under contracts. 42% - for the provision of outsourcing services.

At the initial stage, an analysis of the internal business processes of the company was carried out and those of them that are of key importance for the work of the company were identified. The structure of business processes that are of key importance for the operation of the company is shown in Table 1.

As follows from the data presented in Table 1, the effectiveness of most business processes that are of key importance for the company is, to one degree or another, related to the activities of the personnel. Therefore, the introduction of KPI at the enterprise was aimed at improving the efficiency of all categories of employees and, ultimately, ensuring the further development of the enterprise.

As part of the development of KPI, the job responsibilities of employees whose nature of work is related to the direct provision of key business processes of the company were analyzed. Further, for each structural unit, key performance indicators and indicators for measuring indicators were determined. Key performance indicators for the company's activities and indicators for their measurement are presented in Table 2.

Based on the key performance indicators for each area of the company's work, KPIs were developed for individual positions.

Table 1

The structure of business processes that are of key importance for the operation of a service company

Business processes	Subprocesses	content
Core business processes	Provision of maintenance services	1) interaction with clients; 2) organization of the service maintenance process; 3) outsourcing of engineering staff
	Providing quality assurance services	1) monitoring the quality of service provision; 2) solving emerging conflict situations and problems
Business Process Management	General management of the company	1) development of a company development strategy; 2) quality management of the production process
	Personnel Management	1) work with personnel; 2) development and improvement of the organizational structure of the organization; 3) advanced training and certification of personnel
	Financial management	1) implementation and analysis of financial and economic activities; 2) bookkeeping; 3) organization of the internal control and audit system
	Logistics management	organization of logistics

Source: compiled by the authors

Table 2
Key performance indicators for the company's activities

direction activities	performance indicators	growth rates 2019 vs. 2020
Service sales	Number of concluded service contracts	11%
	Profitability of the sales department (%)	12,5%
	Customer Satisfaction Rate	2%
Service outsourcing and	Number of standard hours per 1 employee	8%
	Job Margin (%)	5%
	Customer Satisfaction Rate	2%
Financial and economic activity	Average monthly salary per 1 employee	19%
	The ratio of total debt to revenue (%)	-20%
	Profitability before tax	9%
	Break Even Point	-3%

Source: compiled by the authors

The next stage of KPI implementation was the development of reporting in accordance with certain key performance indicators. The main difficulty in this was to isolate the contribution

of individual employees to the overall performance of the structural unit. This problem was solved by introducing clear and understandable quantitative and qualitative

criteria for the effectiveness of employees. For structural divisions directly involved in the production process and sales of services, the customer satisfaction indicator is of key importance, which is determined on the basis of consumer assessments of the quality of service and work performance. This indicator is especially important in relation to the activities of a service company. The KPI system was introduced at the enterprise by order of the General Director. Its implementation required changes to the local acts of the enterprise. In particular, changes were made to the provision on financial incentives for employees. The results of the implementation of KPI are expressed in improving the efficiency of the enterprise. During the period of implementation of the system of key performance indicators, the number of contracts concluded with clients increased. The profit of the enterprise for 9 months of 2018 increased by 1.5 times compared to the same period last year.

Conclusion

So, the introduction of KPI in the enterprise allows you to manage business processes, exercising an impact on the employee as the main link in achieving the strategic goals of the company. Using KPI as a corporate management tool, it is possible to customize business processes in accordance with the nature of the tasks facing the enterprise. In the field of personnel management, the use of KPI allows you to build an effective system of motivating employees to achieve high performance indicators. The process of developing and implementing KPI in a service company is divided into a number of successive stages and is carried out on the basis of a deep study of the company's business processes with the selection of key ones that affect performance. The experience of implementing KPI in a service company, discussed in the article, showed that this tool allows you to solve the problems of setting up business processes, creating a system of staff motivation, which ultimately helps to improve the efficiency of the entire enterprise.

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