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SERVICE QUALITY FOR SMALL FIRMS

Cengiz Haksever, Ronald Cook, and Radha Chaganti, all from Rider University give some vital information in their paper, "Service Quality for Small Firms: Can the Gaps Model Help?" (1997) about the importance of quality service for small firms. The three colleagues agree that "delivering quality is as critical to survival of small service firms as it is to large corporations." They speak of a conceptual model of service quality that identifies gaps in service quality and suggests measures to close them (developed by Zeithaml, Parasuraman, and Berry, 1990). This model, known as the Gaps Model, has been used in large service corporations, but has not yet been applied to smaller companies. In this paper, the three examine the applicability of the Gaps Model to small businesses. Their analysis showed that the resources and the structure of smaller firms vitally affects the type of service quality gaps that happen.

First, the Gaps Model defines the difference between customers' expectations and the management's perception of customer expectations. This part of the gap can have three probable causes: 1) a lack of marketing research orientation proven by marketing research that was insufficient, an inadequate use of marketing research findings, and a lack of interaction between customers and management; 2) an inadequate upward communication from contact personnel to management; and, 3) having too many levels of management separating contact personnel from top managers" (Zeithaml et al., 1990:52). Even though this kind of a gap might exist in small firms, the dominant factor for very small and small firms is that there is usually a lack of marketing research. The number one reason for lack of research, is a lack of resources.

Most small firms do not have the funds to conduct a thorough market research by hiring professionals, and furthermore they usually do not have the expertise to conduct the research themselves. Secondly, most smaller firms have a very limited customer base. Most of their clientele are local and are in contact with the business owner often. Third, due to their small size, these firms do not have enough layers of management. Usually the owner of the company is very close to the customer.

To find out more about this model, how it relates to small business, and about the importance of quality service for small companies visit our web site at:
<http://www.sbaer.uca.edu/docs/proceedingsII/97sbi014.txt>.
 This paper by Haksver, Cook, and Chaganti, will give you some very vital information and tips about the importance of quality service in small businesses.

TIP OF THE WEEK

PURPOSE OF FINANCIAL DOCUMENTS

(Taken from "Anatomy of a Business Plan, Third Edition, by Linda Pinson and Jerry Jinnett)

Well-executed financial statements will provide you with the means to look realistically at your business in terms of profitability. The Financial Documents section is often the first to be examined by a potential lender or investor.

The financial documents included in your plan are not just for the purpose of satisfying a potential lender or investor. The primary reason for writing a business plan is so that it will serve as a guide during the lifetime of your business. It is extremely important that you keep it updated frequently. This means examining your financial statements on a periodic basis, measuring your actual performance against your projections, and revising your new projections accordingly.

Types of Financial Documents

There are three types of financial documents covered in this section. Before you begin your work it is best to understand what they are and the purpose of each type.

Statements of Your Needs and Uses of Funds from a lender or investor: The first two documents covered are the "Summary of Financial Needs" and the "Loan Fund Dispersal Statement". These two documents are the only ones that are written in paragraph form rather than as spreadsheets in rows and columns. They are included only if your business is seeking funds from a lender or investor (or other source).

Pro Forma Statements: The word "pro forma" in accounting means "projected." These are the statements that are used for you to predict the future profitability of your business. You are not magic and will not be able to be one hundred percent right. However, your projections should be based on realistic research and reasonable assumptions. It is dangerous to overstate your revenues and understate your expenses.

Actual Performance Statements: These are the historical financial statements reflecting the past performance of your business. If you are planning a new business, you have no history. Therefore, you will not have these statements to include. However, once you have been in business for even one accounting period, you will have a Profit & Loss Statement and a Balance Sheet for those periods. A Profit & Loss Statement is a list of the total amount of sales (revenues) and total costs (expenses). The difference between them is your profit or loss.

Financial Statement Analysis: Once you have completed the financial documents described above, it is also important to use them as tools to look at your business and enable you to make future decisions that will make your business more profitable. Financial Statement Analysis utilizes the income statement and the balance sheet, and is the study of relationships and comparisons of single components in single or comparative financial statements.

"Anatomy of a Business Plan;" "A Step-by-Step Guide to Starting Smart, Building the Business and Securing Your Company's Future;" Third Edition; Pinson, Linda; Jinnett, Jerry; Upstart Publishing Company; Chicago, IL; 1996; p 44-45.

If you have any suggestions about our newsletter or if you have an upcoming small business event in your area, please contact Kim Stubbs (kstubbs@mail.uca.edu).

SBANC STAFF

Dr. Don B. Bradley III
Executive Director and Professor of Marketing
Phone (501) 450-5345 E-mail: Donb@mail.uca.edu

Jeannette Thomas
Project Coordinator
Phone (501) 450-5320 E-mail: Jthomas@mail.uca.edu

Kimberly Stubbs
Assistant Project Coordinator
Phone (501) 450-5373 E-mail: Kstubbs@mail.uca.edu

Celine Birre
Graduate Assistant
Phone (501) 450-5373 E-mail: CB9015@cub.uca.edu

Joanne Price
Student Assistant, Webmaster
Phone (501) 450-5377 E-mail: JLP9278@cub.uca.edu

Rhondi Redmond
Student Assistant
Phone (501) 450-5300 E-mail: RAR1014@cub.uca.edu

Molly Bass
Student Assistant, Webmaster
Phone (501) 450-5377 E-mail: MJB3263@cub.uca.edu

Jay Garrison
Student Assistant
Phone (501) 450-5377 E-mail: JKG9440@cub.uca.edu

Billy Wood
Student Assistant
Phone (501) 450-5300 E-mail: CWW3285@cub.uca.edu
