

THE PRIMARY ISSUES WITH THE DEVELOPMENT OF ENTREPRENEURIAL ACTIVITIES IN THE RA SERVICES SECTOR

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Abstract: Maintenance services play a significant part in the RA economy and come in third place in terms of GDP formation, after industry and agriculture. Additionally, the country has seen an unparalleled expansion in service delivery in recent years, which creates significant difficulties for the management of commercial operations in the sector. In this context, it is critical to draw attention to the current issues with business operations pertaining to service delivery and offer solutions, which have been discussed in the article.

Particularly noteworthy are the insightful remarks made in the essay regarding RA-served solutions to issues pertaining to the sustainable development of services. Proposals were also made for the creation of high-caliber human resources and the innovative support of company operations, which creates prospects for the provision of services that meet international competitive standards.

Keywords: competitive services, competitive business, service sector, service development strategy, service quality

JEL codes: I25, L84, O14

Research aims: to identify the peculiarities of the field of services in Armenia and evaluate the interaction between service activities and consumer-organization cooperation.

Research novelty: based on the particular approach of international experience, the implementation of innovative tools of services in RA are suggested, which is effectively affect the speed of that sector's development.

Introduction

The managerial and organizational characteristics of the service industry are subject to quick changes, necessitating innovative and competitive methods from the industry. Furthermore, the service sector experiences constant pressure to maintain competitive positions due to its frequent interactions with the global economy. This is especially true of the services industry in RA, which focuses primarily on commercial, hotel, tourist, and telecommunication services while continuing to strive for worldwide standards. If RA's financial services, especially the banking industry, and international standards and operate within the parameters of Basel regulations, then many other service sectors' business issues, such as those pertaining to sustainable development, human capital involvement, and entrepreneurship-based organization are still need to be resolved (Bostanjian V. 2014).

There are several definitions of service, but no universally accepted definition of service has yet been developed. Philip Kotler defines service as, "A service is any activity or result that one party can offer to another and that is generally intangible and does not lead to possession of something. Services may be

produced or rendered in relation to the material degree of their output." (Kotler F., Kartajaya H., Setiawan A. 2019)

Service is an economic activity that directly satisfies the individual needs of society members, households, various types of organizations, associations, the demands of companies, public demands, which are not expressed in material form (Service Definition, <https://www.britannica.com/dictionary/service>). Any service rendered on a business basis is considered a service under the General Agreement on Trade (GATS). The service is typically manifested through a certain utility, or beneficial impact, and isn't always represented in a tangible product (The General Agreement on Trade in Services, <https://trade.ec.europa.eu/access-to-markets/en/content/general-agreement-trade-services-gats>)

Research results

The focus of service delivery has moved from the economic to the social domain (tourism, healthcare, and education) at the current stage of economic management, thereby resolving socioeconomic issues. This makes it possible to focus on addressing the requirements of the populace, such as transport and telephone communication, as well as all types of service economic entrepreneurship (The General Agreement on Trade in Services).

Thus, target variety is one of the features of the service organisation. Simultaneously, the process of altering the amounts of services provided in RA in recent years has shown variation (see Table 1).

Table 1. Services delivery volume trends of change compared to the previous year (%) in RA

Index	2017	2018	2019	2020	2021
Total services	114,6	119,0	114,6	86,0	108,5
of which					
Individual	110,5	122,6	97,5	49,1	142,0

Source: *www.armstat.am./ Statistical Yearbook of Armenia, 2022, p. 420*

One of the characteristics, that make up intangible assets, is the delivery of services. In essence, the outcomes of providing services are not tangible, have no outward appearance, and are, of course, not measurable in terms of materials. As a result, the product looks material. The service is not a tangible item, but the meal can be touched, felt, and tasted. In some ways, the economic assessment of quality is complicated by the fact that the outcome of service delivery is primarily determined by the level of customer satisfaction.

Simultaneously, some services like the catering industry and scientific research activities, whose products (innovations) are sold combine the physical production of material goods with the provision of services; in other words, the production and the provision of services are inseparable. These services are finding widespread practical application. The procedures of service supply and realisation are typically carried out simultaneously since they are not typically carried out at various points in time. As a result, the characteristic of the service delivery process is

typically the inability to accumulate outcomes and the absence of reserves.

In light of the aforementioned situation, the customer takes part in the development and direct realisation of service outcomes. Because the creation and consumption of service results are typically done simultaneously in the same location, without storage or transfer to the sale market, the sale market for services does not function in the traditional sense of the word. This is because, in the real sector of the release of material goods, the consumer primarily avoids production processes by his presence and satisfies his needs in the product market. In this sense, the services offered are distinguished by the fact that, in contrast to the actual economy, the receivables created by purchasers do not account for a sizable amount of the assets, but also have short-term repayments (Tshuguryan, A., 2010).

A comparatively large percentage of workers in the economic process and the labour-intensive nature of the output are characteristics of the service industry. Because service delivery is structured with a comparatively big workforce, labour expenditures account for a sizable portion of the overall cost of services. Additionally, the sector incurs a relatively high percentage of retraining expenses due to the more dynamic changes in quality criteria for service delivery.

Subjective in nature, the qualitative aspects of service delivery outcomes rely on regional, national, and religious approaches in addition to the customer's specific needs. As a result, different customers may not give the same service the same rating for quality.

With the ultimate purpose of meeting their wants, the client is the most important component of service delivery. The customer's total contentment, which motivates them to utilize the service again, is determined by the quality of the service delivery. The second important player in service delivery is the service worker. They represent the firm and its customers; thus, they have an obligation to work in their best interests.

The delivery system consists of the organization's culture, certain regulations, and the tools and equipment needed to provide services. The delivery system during service supply can be conditionally separated into visible and unseen components for the customer. The visible or main segment, sometimes referred to as the contact zone, is the area with which the client directly interacts and which needs to be designed to meet the demands and preferences of the customer. The component known as the auxiliary assures the procedures that need to be completed prior to the moment of visibility while being undetectable to the consumer.

Because they are invisible to the customer, auxiliary tools for service delivery cannot be substantially incorporated into the physical environment. The service delivery environment is the actual setting in which the service is rendered and used by the client. The provision of services in Armenia is mostly related to lodging, leisure, and entertainment planning, all of which generate substantial revenue flows.

However, we believe that the service industry needs a greater proportion of scientific research and development, which is currently low in our nation and does not help to stimulate new processes in the service sector. According to an analysis of

services offered in Armenia, Yerevan, the country's capital, has a concentration of them (see Table 2). This means that in the regions of the republic, there is still no proportional distribution of services according to the population size or territorial features.

Table 2. Structure of Service Volumes by Regions and the City of Yerevan (%),

Index	2017	2018	2019	2020	2021
Republic of Armenia	100	100	100	100	100
Yerevan	80,9	81,8	83,4	87,0	86,8
Regions	19,1	18,2	16,6	13,0	13,2

Source: *www.armstat.am./ Statistical Yearbook of Armenia, 2022, p. 425*

Particularly when it comes to healthcare, professional education, and cultural services, the people who live in the republic's provinces currently require more services than those who live in the capital. These needs stem from the unequal distribution of service sectors throughout Armenia's geography in addition to financial difficulties. In this sense, the problem of broadening the scope of service delivery in rural communities (culture, healthcare, household services, transportation, trade, etc.) persists, despite the fact that some of these issues in the regions have been partially resolved over the past ten years in the areas of financial, banking, and communication services.

The calibre of services offered is another obstacle to entrepreneurship in Armenia's service industry. In the service industry, quality is difficult to define because there are five main points of view:

1. Abstraction: This viewpoint holds that service quality is a concept that can only be identified and assessed after the service outcome has been consumed. To put it another way, "quality cannot be defined until the final consumption of the outcome," which makes prompt managerial decision-making difficult.

2. Outcome Orientation: In this scenario, quality can be quantified using a variety of metrics, including the "durability" of the service rendered, the quantity of customer registrations in the retail complaint book, and the acceptance and fulfilment schedules for orders.

3. Consumer Orientation: In this case, the "usability" of the offered service as seen by the customer serves as the foundation for determining quality. Even while the service may produce high-quality results, it might not satisfy each customer's specific needs if it is delivered in an unorganised manner.

4. Process of Service Outcome construction: This method compares the actual data of the outcome delivery with the intended normative indicators to define quality during the construction of the service outcome.

5. Orientation Towards Value Creation: In this instance, the balanced demands of the service outcome producer and the customer are used to determine the value of quality. In other words, when a balanced scenario is established in the motivational domain of both producers and customers, a substantial value is attributed to service quality.

Managers in the service industry struggle to measure and value quality since there are several ways to define it. Nonetheless, the theory offers the following metrics for evaluating quality:

a) The service outcome's indicators, which together determine its quality. For instance, the number of seconds it takes to accelerate to 60 km/h is another indicator of an automobile engine's quality.

b) Add-on features that complement the service outcome but do not constitute its primary component, such as the audio and video systems found in automobiles.

c) Assurance: When there is assurance that the result will fulfil its intended function within the given timeframe and under the given conditions, such as office equipment operating in accordance with established protocols.

d) Compliance, where the service outcome satisfies operational certification standards, such the amount of fuel used by an automobile during a 100-kilometer drive.

e) Longevity, which refers to how long the service output will last until it experiences moral or physical deterioration.

f) Convenience of consumption: when a travel agency, not the traveler, purchases plane tickets, insurance policies, and visas, the customer does not encounter any challenges during the service delivery process.

g) Aesthetic enjoyment, which is the customer's subjective assessment of the service outcome's look, flavour, and aroma.

h) Quality perception, which leads to consumer evaluations of the quality-of-service results based on factors such as branding, advertising, transferred experience, and so forth.

Another point of view holds that, from the standpoint of the customer, the quality of services rendered can be assessed using the following five factors: tangibility, comprehension, trust, responsiveness, and dependability.

However, without a clear focus on scientific research and advancements, companies in the Republic of Armenia's service industry may eventually become less competitive. According to recent data reports, the indices of the physical volume of services are trending downward in that direction (see Table 3).

Table 3. shows the Republic of Armenia's physical service volume indicators (as a percentage of the prior year)

Index	2017	2018	2019	2020	2021
Total services of which:	114,6	119,0	114,6	86,0	108,5
Accommodation and public meals	119,4	132,0	126,3	58,1	161,0
Entertainment and recreation	124,4	134,7	122,0	85,0	69,2
Scientific research and development	102,0	93,3	101,5	93,7	96,7

Source: *www.armstat.am./ Statistical Yearbook of Armenia, 2022, p. 430*

Conclusion

The following aspects of entrepreneurship in Armenia's service industry still need to be improved.

First, when entrepreneurship in the service industry is not predicated on the production of innovative ideas, there are now concerns of diminishing competitive positions. Even while service delivery is somewhat short-term in terms of time, it is now not

economically justified if it alone guarantees financial gain and profit. Service delivery is becoming more competitive in the entrepreneurial climate, and companies who consistently implement innovations in service delivery are gaining an advantage. As a result, the present strategy for the service sector must be centred on an innovative approach.

Furthermore, research services must be activated for scientific research and the application of novel concepts, particularly in the service sector, which is currently lacking in the Republic of Armenia, according to statistical surveys.

Second, in order to ensure that entrepreneurship handles concerns connected to environmental and human capital quality, the service sector must currently be structured according to the principles of sustainable development. Organisations in the service sector that provide tourism, logistics, and other services run the risk of losing their competitiveness if, in addition to their own financial interests, they fail to regularly meet public expectations, conserve resources, and prioritise environmental preservation and the development of a skilled labour force. Consequently, the growth of entrepreneurship in the service industry is currently thought to depend critically on sustainable development.

Third, entrepreneurship structured in the service industry is being subject to new quality assurance standards. At the moment, maintaining competitive positions in the service sector is prioritised both qualitatively and quantitatively. The Republic of Armenia's service industry is thought to be extremely competitive, which creates new problems and opportunities for quality control in business ventures. In this instance, service

providers have the chance to preserve their competitive positions in both domestic and foreign markets.

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**ՁԵՌՆԱՐԿԱՏԻՐԱԿԱՆ ԳՈՐԾՈՒՆԵՈՒԹՅԱՆ ԶԱՐԳԱՑՄԱՆ
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ԾԱՌԱՅՈՒԹՅՈՒՆՆԵՐԻ ՈԼՈՐՏՈՄ**

Հարություն Խալաթյան

Հայաստանի պետական տնտեսագիտական համալսարան,
հայցորդ

Բանալի բառեր – մրցունակ ծառայություններ, մրցունակ ձեռնարկատիրություն, սպասարկման ոլորտ, ծառայությունների զարգացման ռազմավարություն, ծառայությունների որակ

Սպասարկման ոլորտն ունի կազմակերպչական և կառավարման առանձնահատկություններ, որոնք արագընթաց փոփոխությունների են ենթարկվում և պահանջում են ոլորտի ձեռնարկատիրական մրցակցային մոտեցումներ:

Այս առումով, ՀՀ-ում մատուցվող ծառայությունների ոլորտը ներկայումս ձգտում է ինովացիոն մոտեցումներով կազմակերպման, այնպես, որ ամրապնդվեն տեղական և միջազգային շուկայական մրցակցային դիրքեր: Սակայն ուսումնասիրությունները ցույց են տալիս, որ ներկայումս ՀՀ-ում ծառայությունների մատուցման ձեռնարկատիրական նկրտումները առավելապես թիրախավորված են շահույթի ստացմանը, որոշ դեպքերում շրջանցելով ռեսուրսախնայողության, բնապահպանական, աշխատանքային ռեսուրսների արդյունավետ օգտագործման խնդիրները, որոնք էլ հանդիսանում են ձեռնարկատիրական գործունեության

զարգացման և մրցակցային դիրքերի ապահովման խոչընդոտներ: Ուստի, արդիական է համարվում ՀՀ սպասարկման ոլորտում իրականացվող ձեռնարկատիրության զարգացման հիմնախնդիրների վերհանումն ու դրանց լուծումների առաջարկումը:

Հոդվածում ձեռնարկատիրական գործունեության հիմնախնդիրներով պայմանավորված՝ դիտարկվում են սպասարկման ծառայությունների ոլորտի առանձնահատկությունները ՀՀ-ում և առաջարկվում են համապատասխան լուծումներ:

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