
Editorial

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The service industries have become a major source of economic wealth and employment. Thus, measuring the performance of the specific industries or the performance of the individual companies providing services has become an important area of research. Efficiency is one of the performance dimensions that have mostly attracted the interest of scholars. Indeed, efficiency evaluation has become of paramount importance for increasing competitiveness and achieving sustainable development. Efficiency measurement enables managers to benchmark the performance of their companies and identify areas of inefficiency for future improvement. In the public sector, efficiency measurement is critical in saving resources, lowering costs, and ensuring fair markets and effective policy-making.

Several approaches and techniques are employed to measure efficiency of service delivery, covering ratio analysis, statistical models based on regression analysis, parametric and non-parametric frontier analysis. While statistical approaches that implement regression analysis investigate average behaviours, parametric and non-parametric frontier approaches such as stochastic frontier analysis (SFA) and data envelopment analysis (DEA) focus on best performers. Performing efficiency analysis in the service industries holds great challenges to scholars because of the immateriality that makes services intangible and hardly observable, of their perishability that does not allow them to be stored for later consumption, and the participation of the customer in producing and delivering them. Additionally, incorporating quality evaluation in the measurement of efficiency is necessary to avoid that manager decisions sacrifice quality standards and customer satisfaction for efficiency. These issues require that scholars use innovative research designs, conceptual frameworks, and methods.

This special issue collects four research papers that focus on various issues related to the measurement of efficiency in the service industries.

The first paper by Sriram et al. presents an empirical study on the Indian wellness industry. The scholars examined variables affecting the franchisor-franchisee relationship and the performance of the franchisees in the franchising business system. Previous research and preliminary analysis was used to develop a research model and hypotheses. Primary data were collected from a sample of franchisees using questionnaires. Structural equation modelling and confirmatory factor analysis were used to test hypotheses of the model. Results suggest that effective and frequent communication between franchisor and franchisee helps in building a good business relationship in the wellness industry, while trust and commitment are an essential part of this business, and a healthy franchise relationship depends on these factors. Other factors like training support and brand equity statistically do not influence the franchisee performance.

The second paper by Ceyhan and Benneyan proposes an odds-ratio transformation that allows generating targets within their given bounds for evaluating relative efficiency and setting management goals in the service industry using DEA. Such transformation is useful when the assumption that all input and output values are unconstrained positive values is not always satisfied, i.e., when analysing proportions, rates, and percentages bound between 0 and 1, and assuming variable returns-to-scale relationships is not appropriate. Two examples relative to the hospital industry and the UK physics departments are used to illustrate the method.

Bishnoi and Pooja Gaur evaluate the relative efficiencies and benchmark of 55 electricity distribution utilities operating in different states in India by employing DEA. The authors compute technical, pure, and scale efficiencies. Finally, the electricity distribution utilities are classified by performing sensitivity analysis evaluating the impact on efficiency of the input and output variables. Results may help policy makers identify critical areas in the industry.

The last paper by Benneyan and Ceyhan focuses on a critical but usually neglected issue in DEA. For inefficient decision-making units, DEA provides targets that if achieved will allow the units to move onto the efficient frontier. However, this really happens only if all the other units maintain the same input and output measurements. The unit can still be inefficient if the other units improve their input and output levels. This assumption may not be acceptable in practice. Using two samples in the food and hospital industry, scholars implement forward and backward-looking analysis, forecasting, and Monte Carlo methods to investigate the effect on the capability of an inefficient unit to achieve the efficient frontier of the parallel improvement of the other units.