Improving the Quality of East and West European Public Services

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Chapter 8

Quality Management and the Management of Quality in European Public Administrations

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Public Management Reform in Europe

In the OECD report 'Government for the Future' (2000) the question of '*Why Public Management Reform?*' is answered in three ways. First governments need to keep up with society. The purpose of reform in this respect is to make governments more responsive to society's needs and demands. Public management is being reformed in order to provide better, faster and more services. However, quality, quantity and speed are not the only new competences that society requests from its government. Since the pace of societal change is accelerating, government should equally be able to respond to changing demands with new solutions. Secondly, governments need to be reformed with the purpose of re-establishing trust in government. Government needs to provide more choice, democracy and transparency. Therefore, the public services need to work with the political sphere. Equally important is strengthened communication and connection with citizens. Finally, governments need to be reformed due to new pressures. Outside forces place competitive pressure on government for serving the public. In addition, greater economic inter-dependence, the opening-up of societies and the growing importance of international structures and agreements, make outside pressures more complex and multi-dimensional. Hence, the environment in which and for which government operates presents new demands. Reform then is the process of preparing or adapting government to its new role in a changing society. What are the key features of this new government that is geared up to play its new role?

The common challenges facing OECD countries, i.e. better, faster and cheaper services, optimising trust and dealing with new pressures, result in a list of six requirements for governments and their administrations in volatile environments (Bouckaert, Ormond and Peters, 2000, pp. 7-16).

1. Administrations need to focus on *integration*, which is about managing across governments. Governments need to address issues that respect no organisational boundaries in an effective cross-governmental way. A remarkable example may be found in the regulation of the food chain.

Securing food safety requires government to co-ordinate economic interests of agriculture and retailing, environmental interests, and health issues. Traditionally, these functions have been organised in separate departments. Often the severity of crises such as the BSE disease in the UK and the Dioxin crisis in Belgium is explained by the fragmentation and the inability of government to co-ordinate its activities (Schofield and Shaoul, 2000).

2. *Vision* and *capacity to develop a balanced strategic view* of the public interest is a second requirement. This involves putting short-term projects in a longer term perspective in the context of budget limitations, and the views of individual citizens and society in general. An important issue is for example the increasing ageing of the population in western societies. The impact on the European welfare states will be considerable (Boeri, Börsch-Supan and Tabellini, 2001). Dealing with this concern requires government to have a long term strategic view which is translated into concrete short term actions within a stringent budget.

3. The third requirement is *effectiveness*, including economy and efficiency. Today's challenge is to draw on a much wider set of means and networks or relationships in order to implement public programmes successfully, and achieve desired outcomes. The increasing success of public private partnerships (PPPs) illustrates the inclusion of private resources for public goals. However, to be effective, government needs to consider carefully its role in PPP arrangements. For instance where water supply is concerned, the Finnish case demonstrates that government should run the core operations, while side operations may be privatised (Seppällä et al., 2001). In addition, one model of PPP does not necessarily fit all cases. Differences between countries will prevail due to the local translation of the concept. A comparison of urban renewal projects in London and Paris shows many similarities, but also significant differences (Nelson, 2001).

4. The fourth requirement is *domestic adaptation to internationalisation trends*, and influencing others to a mutual benefit. As frontiers get lower, smaller countries have relatively more to gain by timely organisational and economic adjustment, while external co-ordination impacts on all government activities. Within Europe, the creation of the Euro zone is the most striking example of internationalisation with national governments losing their ability to pursue solely national monetary policies (Trichet, 2001).

5. The fifth requirement is that of *trust and legitimacy* being related to building new relationships. Although some countries are better placed than others, no country is immune to a decline in trust (Eurobarometer, 1995). This requires anticipatory action by governments to bring about responsible engagement of citizens, and make them confident that their public institutions cater to their needs (OECD 2001a).

6. The sixth and final requirement is *responsiveness* in terms of adapting to change. More than ever, an unpredictable environment requires governments to have the capacity to scan ahead, detect trends and think creatively about ways of shaping policies and institutions to respond to new challenges. The Dutch '*Ministerie van Verkeer en Waterstaat*' (2002) (Ministry of Transport

and Water Management) for instance conducted a scenario building exercise accounting for climate change and the consequences for the 'Lowlands'. The statistical capacity and data availability are important assets in developing a government that is responsive to new issues.

This section focuses on some common challenges and common requirements for future government in Europe. In a sense, the challenges are the starting point, whereas the six requirements for governments of the future are the final goal. However, the trajectories towards these requirements are diverse. Indeed, common questions do not necessarily need common answers. In the next section, four different reform trajectories within the European Union will be reviewed.

Different Reform Trajectories in the European Union

The administrations of the EU Member Countries are not a homogeneous set of organisations, nor are their reform processes. Indeed, their reform processes are quite divergent. Recent articles or conferences refer, for example, to the German trajectory of public sector modernisation as 'continuities and discontinuities' (Wollmann, 2001), while in France the eleventh colloquium (October 2001) of the *Revue Politiques et Management Public* was about 'Reconfigurer l'action publique: big-bang ou réforme?' (Redesigning public action: big bang or reform?). The European public administration scenery is a labyrinth of systems. As Ridley says: 'Of course the countries of Europe, marked by their different histories, not only have different forms of civil service organisations but different philosophies about the values civil servants should express and the roles they should play in a democratic state. There are many ways of regulating public service in a democracy, not just in detail but in fundamental orientations. There is no agreed European model' (Ridley, 1995, p. 13).

Unsurprisingly, therefore, different EU countries have answered to the challenges outlined above in different ways. This results in four main strategies of maintaining, modernising, marketising and minimising (Pollitt and Bouckaert, 2000) in all fields of management and policy (Bouckaert, 2000a; Bouckaert, 2000b). *Maintaining* implies 'tightening up traditional controls, restricting expenditures, freezing new hirings, running campaigns against waste and corruption and generally "squeezing" the system of administration and law.' (Pollitt and Bouckaert, 2000, p. 176). The EU administration is an example of the 'maintain' strategy. *Modernising* the administrative system is the second option. This may be done by bringing in more flexible ways of budgeting, managing, accounting and delivering services to the users. Although these changes are likely to be borrowed from the market sector, they will equally require some changes in the political system. Nordic countries for instance relied heavily on 'modernising' as their reform strategy. The third reform trajectory is to *marketise* the public sector by instituting as many market-type mechanisms as possible within the public sector. Public sector organisations are made to compete with each other in order to

increase efficiency and user-responsiveness. This also implies a penetration of the administrative system by the culture and values and practices of the private sector. The fourth and final option is to *minimise* the public sector. This means putting many public tasks into the market by privatisation and contracting out. A combination of 'marketisation' and 'minimising' is to be found in the United Kingdom under the Conservative government from the mid '80s. Later, Mr. Blair moved towards the 'modernising' strategy with the 1999 white paper '*Modernising Government*' (Prime Minister and the Minister for the Cabinet Office, 1999). It is not obvious so far, theoretically or empirically, to what extent results of these reforms have been achieved (Pollitt and Bouckaert, 2002).

Quality Management in European Public Administrations

Active Involvement in the Policy and Management Cycle

Quality management in European Public Administrations has been shifting from a producer point of view to a citizen/customer point of view (Pollitt and Bouckaert, 1995a). The dynamic way of getting citizens/customers of public services involved in order to enhance their perceptions, expectations and commitment through active participation has been a common strategy to obtain a legitimate level of quality and satisfaction of public services (OECD, 2001b). Thus, where the traditional relationships were bureaucratic and hierarchical, the new relationships are instead more pluralistic (Peters and Savoie, 2000).

Traditionally the political leaders determine what service is to be provided, on what terms and to whom, and bureaucrats and professionals subsequently organize and deliver the service. The role of the citizens is largely passive. In the new setting, the range of actors involved – institutionally or on a *ad hoc* basis – in the production, delivery and evaluation of public services has increased and the role of the citizen has become more active. This changing role of citizens/customers of public services has an impact on the whole of the policy and management cycle. Traditionally the policy and management cycle is dominated and controlled by politicians and administrators. More and more, citizens/customers are involved in this policy and management cycle at different stages (design, decision, implementation and monitoring, and evaluation) as is shown in Figure 8.1. Citizens/customers become co-designers, co-deciders, co-producers and co-evaluators.

Consulting citizens is crucial throughout the policy and management cycle. Consultation is defined by the OECD as a two-way relationship in which government talks to citizens and citizens provide feedback to government. It is based on the prior definition by government of the issue on which citizen's views are being sought and requires the provision of information (OECD, 2001b). These expectations of citizens are increasingly used as important input during the policy making process. Governments use different tools to seek feedback on policy issues (e.g. opinion polls and surveys) or on draft policies and laws (e.g. comment and

notice periods) from a broad range of citizens. They may also use tools of consultation providing greater levels of interaction with smaller groups of citizens (e.g. public hearings, focus groups, citizen panels, workshops). Engaging citizens in policy deliberation and active participation requires specific tools to facilitate learning, debate and the drafting of concrete proposals (e.g. citizen's forums, consensus conferences, citizens' juries, etc.) (OECD, 2001a).
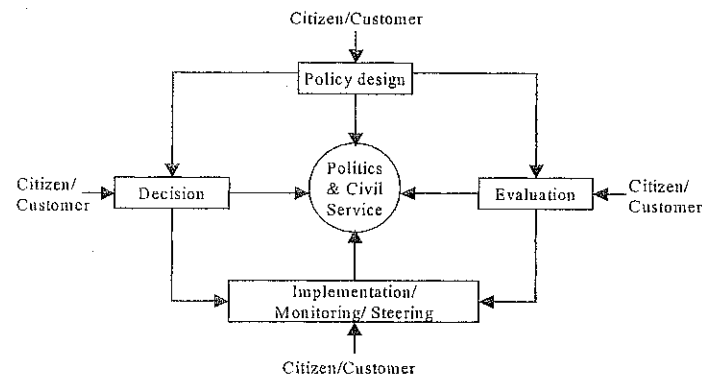

Figure 8.1 Active Involvement of the Citizen/Customer

The preparation of the 'Government White Book on Education Policy' (1999 to 2000) in the Czech Republic provides an illustration of this consultation in the *policy design* stage. The Ministry of Education launched a nationwide public discussion through public hearings, interviews with deputies and roundtables with the stakeholders of education (OECD, 2001a).

Referenda are the most obvious example of *co-decision*. Constitutional provisions for referenda are found in several OECD countries (France, Luxembourg, Switzerland). Referenda can be established by law (e.g. Spain). They are on occasion required for changes to the constitution (e.g. Switzerland). The results of referenda may be binding (e.g. Poland) or consultative (e.g. Finland, Netherlands, New Zealand) in nature, although the results clearly have a significant moral importance and impact on decision-making by government (OECD, 2001a, p. 36).

Co-production is also becoming a widespread instrument to get citizens/consumers involved. In this case stakeholders are consulted during the stage of policy implementation. In France, for example, one example of consulting different stakeholders during the implementation of social policy is given by the National Habitat Council, which consists of professionals in the habitat and property sector as well as wage earners' unions, and also includes representatives of tenant organisations (OECD, 2001a). This Council is consulted on all regulations concerning habitat issues. Co-production could also mean involving citizens/customers in the production itself. In this case, citizens/customers render

public services together with or instead of government. Neighbourhood Information Networks are an example of co-production of community safety. Another policy field with significant involvement of citizens is the development of co-operation where citizens are involved in both fund-raising and sensitising, usually co-ordinated by NGO's.

Finally there is the inclusion of citizens/customers in the evaluation of public programmes and results. Surveys and customer satisfaction questionnaires are increasingly included in the *evaluation stage*. Most of these surveys and questionnaires are undertaken on an *ad hoc* basis. However, in some cases they are undertaken more regularly. The most prominent illustration of this permanent approach is *'The People's Panel'* in the U.K.[4] The People's Panel was set up in 1998 by the *Modernising Public Service Group* of the Cabinet Office. The panel was made up of 5,000 members of the public representing the UK population in terms of age, gender, region and a wide range of other demographic indicators. After the original 5,000 members were recruited, the Panel was in addition 'topped-up' with an extra 1,000 members. An additional 830 members were recruited from ethnic minorities. The People's Panel was used to evaluate both policies as particular public services (Cabinet Office, 2001).

The shift towards an increased citizen/customer participation at all these different stages in the policy and management cycle will result in a change in focus and locus of quality management.

A Changing Focus

Involving citizens/customers naturally causes a shift in focus from input and activities, and to a lesser extent outputs, to outcomes. The input-output model provides a systemic view on the functioning of an organisation (Sharkansky, 1975; Bouckaert, 1992). The model consists of the inputs that go into the organisation, the activities for which the inputs are used and the output that is realised by the activities. Personnel, infrastructure, finances and housing are some typical inputs. With these inputs activities are being carried out. For example, a school will organise lessons and a library will shelve books that may be lent out. The activities result in outputs (e.g. number of graduate students or number of books lent out). It should be a management concern that the inputs yield the right amount and quality of outputs by organising the activities in the best possible way. Therefore the manager's feedback loop delineates primarily inputs and outputs.

When the outputs, i.e. the policy and management products, leave the internal organisation, they go into society. The crucial question is whether and what outcomes result from the outputs. A sharp distinction is made between outputs and outcomes. Outcomes are events, occurrences, or changes in conditions, behaviour or attitudes. Outcomes are not what the programme or organisation itself did, but the consequences of what the programme or organisation did (Hatry, 1999).

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[4] http://www.cabinet-office.gov.uk/servicefirst/2001/panel

The number of patients treated and discharged from a mental hospital (output indicator) is not the same as the percentage of discharged patients who are capable of living independently (outcome indicator) (cited in Hatry, 1999, p. 15).

A distinction is made between intermediate outcomes and end outcomes. This is a pragmatic but important division between the ends ultimately desired and the interim accomplishments which are expected to lead to those end results (but may or may not) (Hatry, 1999, p. 15).

Since the interval of time between the output delivery and the end outcomes may be long, the causality between the output and end outcome may be difficult to establish. It should be the policymakers' concern that the desired outcomes are achieved. The policymaker's feedback loop is the comparison of the outcomes with the objectives which closes the circle. Finally it should be noticed that the clear-cut distinction between the policy and management cycle is valuable for analytical purposes but will not persist in reality. Management needs policy guidelines and the allocation of resources, while policy makers need information on the feasibility of outputs and thus, expected outcomes. What matters to citizens/customers are not the inputs or activities, but the outputs and particularly the outcomes of a policy. Therefore, a shift towards citizens/customers involvement will cause a changing focus in quality management (Figure 8.2).
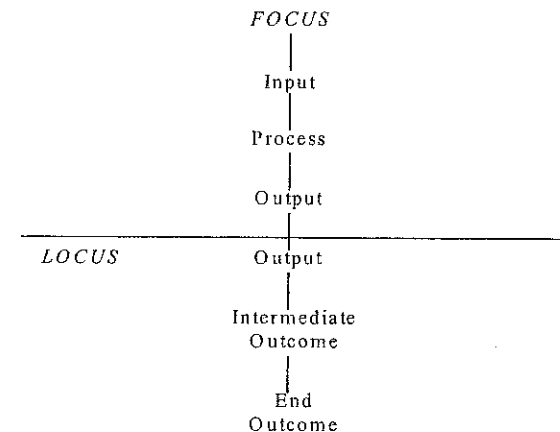
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Figure 8.2 Change in Focus of Attention

A Changing Locus

Second, the involvement of citizens as customers will result in a change in locus of attention from the traditional inward oriented pattern of relations towards an

outward, citizen/customer oriented pattern. This shift will radically change the nature of hierarchies, markets and networks in a governance context (Figure 8.3). Initially, there may be a hierarchical relationship. This relation is based on rules and norms. The dominant actor is provided with a base – legal or other – to steer the other actor. Inherent to a hierarchical relationship is the dominant actor's competence to change at any time the tasks of the other actor (Hegner, 1986). Most likely, governance by hierarchies will lose importance over time in favour of markets and networks.

The second relationship is a market relationship. The actors (market players) reach equilibrium through interplay of demand and supply. Deregulation, privatisation and marketisation currently play a considerable role in public management reform (Lane, 1997; OECD, 1997; Pollit and Bouckaert, 2000; Wright, 2001). Competition within 'internal markets' complement external competition. The relations between actors are characterised by competition. Relationships are shaped within contracts and franchises (Halachmi and Nichols, 1996). Transparency of markets is a key issue when citizen/customer involvement is concerned.

The third relationship is a network relationship (De Bruijn and ten Heuvelhof, 1999). As in the market relationship, actors look for an equilibrium. However, in this case the equilibrium is a result of mutual agreements. Co-operation, trust and shared vision are the key words in a network relationship (Mintzberg, 1981; Mandell, 2001). A network relationship arises due to mutual dependency. With the shift towards more citizen/customer involvement, networks in society may become the dominant pattern. In summary, the traditional locus was internal and supply-oriented. The locus in the new relations on the other hand becomes externally and demand-oriented (Figure 8.3). These relations are characterised by a culture of openness and transparency (OECD, 2001c).
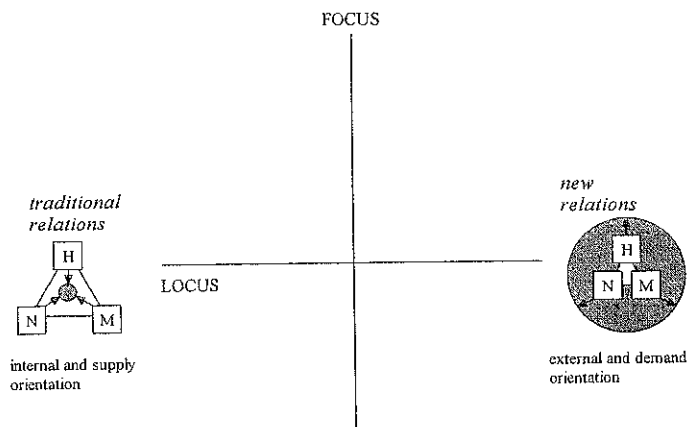
Figure 8.3 Change in Locus of Attention

Zones of Governance Intervention

By assessing the changing focus and locus, four zones of intervention, as shown in Figure 8.4, are distinguished (based on Pollitt and Bouckaert, 1995a, p. 163).

First, there is the *traditional model (producer – oriented traditional bureaucratic production)*. The traditional bureaucracy keeps the responsibility for design, decision-making, policy implementation and evaluation. Government is inward oriented. Policies and policy products are determined by the producer, i.e. government.
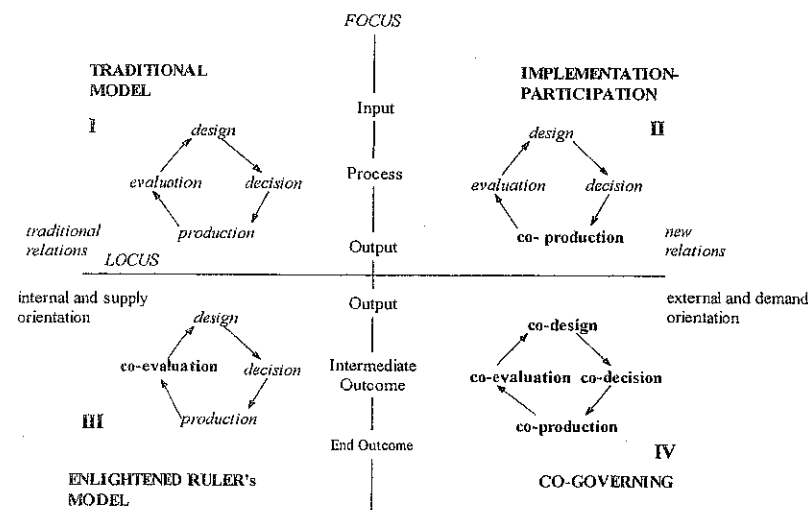
Figure 8.4 Zones of Intervention and the Role of Citizens/Customers in the Policy and Management Cycle

A changing locus leads to the *implementation participation model (citizen – oriented traditional bureaucratic production)*. The policy products are still oriented to the operations of the producer and the government. However, the traditional bureaucracy is more open and citizen-oriented. Citizens and customers are involved, but only when it is beneficial for the government. The major reason why the bureaucracy tolerates the citizen/customer involvement is because citizen-customer involvement may reduce costs. However, since citizens/customers are interested mainly in outcomes and not government *in itself*, the participation can only focus on implementation and thus, co-production.

In the case of the *Enlightened Ruler's model (producer – oriented focus on quality)*, the traditional bureaucracy keeps in place the traditional line of command and relationships. Nevertheless, there is a growing focus on the outcomes of policies. Instead of involving citizens/customers, the government itself proclaims

what needs and expectations are. However, some participation – albeit largely unilateral – in the evaluation stage of the policy and management cycle is possible.

The fourth model is that of *co-governing (citizen – oriented focus on quality)*. The focus of attention includes the customer and his or her needs, expectations and satisfaction, and the related effects and outcomes. In addition, new types of relationships are accepted. Citizens/customers become active partners in the design, decision-making, implementation and evaluation of policies.
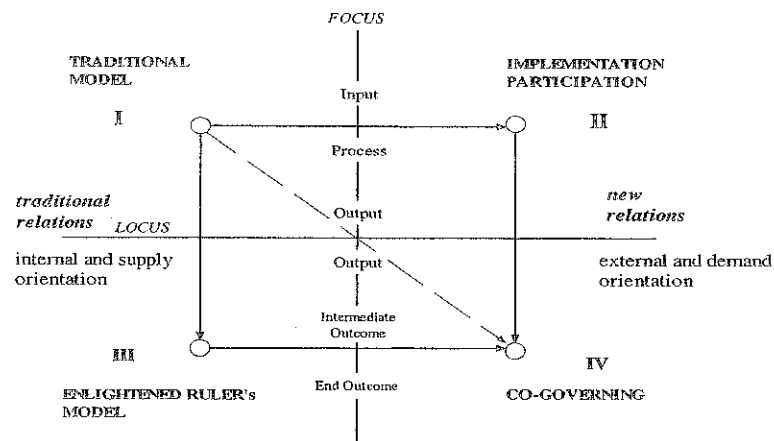
Figure 8.5 Dynamics of Quality Improvement Strategies in OECD Countries

Figure 5 plots the different trajectories that might be followed. A direct shift from position one to position four appears infeasible. The traditional position of administration, which is focusing on inputs and activities and functions in a classical Weberian way, is broadly recognised as a producer-focused traditional bureaucratic production unit (position 1). Reform initiatives try to make administrations move from this part of the quadrant. A lot of countries are starting up or already have started these reform initiatives (Pollitt and Bouckaert, 2002; OECD, 2000) The precise location along these lines of evolution is determined by the administrative culture, tradition, legal frameworks, type of service and level of government.

Quality Models

Pre-formatted quality models may be located in the above quadrant. This section will only give a brief overview of the different models and their use in the public sector. First, the *International Organisation for Standardisation (ISO)* is a worldwide federation of national standards bodies from more than 140 countries.

The mission of ISO is to promote the development of standardisation and related activities in the world with a view to facilitating the international exchange of goods and services, and to developing co-operation in the areas of intellectual, scientific, technological and economic activities. The most widely known standards in a public service context are ISO 9000 and ISO 14000. Both 'ISO 9000' and 'ISO 14000' are actually families of standards which are referred to under these generic titles for convenience. The two families consist on the one hand of standards and guidelines relating to management systems, and on the other hand of supporting standards on terminology and specific tools such as auditing). Standards are defined as documented agreements containing technical specifications or other precise criteria to be used consistently as rules, guidelines, or definitions of characteristics, to ensure that materials, products, processes and services are fit for their purpose (ISO, 2002). ISO standards and management systems built upon them are therefore based on the principle of 'quality assurance'.

The *Balanced Scorecard (BSC)* was developed by Kaplan and Norton. It is a management system (not only a measurement system) that enables organisations to clarify their vision and strategy and translate them into action (Kaplan and Norton, 1992). It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results (Kaplan and Norton, 1993). The balanced scorecard suggests that the organisation must be seen from four perspectives, and develop metrics, collect data and analyse it in relation to each of these perspectives. These different perspectives are customers, finance, process, and innovation and learning.

The European Foundation for Quality Management (EFQM) was founded at the end of the 1980s by 14 major European companies and started to focus on the public sector during its evolution. In 1992 EFQM launched its *Excellence Model* for self-assessment. This model is based on nine criteria, five *'Enablers'* and four *'Results'*. The 'Enablers' criteria cover what an organisation does. The 'Results' criteria cover what an organisation achieves. 'Results' are caused by 'Enablers' and feedback from 'Results' helps to improve 'Enablers'. EFQM changed its model slightly in April 1999, trying to make it more compatible with the public sector. The nine dimensions of the model are: leadership, people, policy and strategy, partnerships and resources, processes, people results, customer results, society results, and key performance results.

The same dimensions can be found in the *Common Assessment Framework (CAF)*. The CAF model was designed in 1999 (Stromsnes, 2002). This quality management scheme is aiming to assess the quality of public administration bodies in Europe. Designed especially for the public sector, it incorporates the main features of the EFQM and the German Speyer quality award criteria (Engel, 2002). The CAF model has been successfully applied in several European and CEE countries (Bauer, 2002; IPSG, 2002).

The *Public Service Excellence Model* (PSEM) is another self-assessment framework that is focussing on the public sector, although it is not commonly used or known. The PSEM has 14 dimensions: strategy and plans, leadership, resources, processes, people, resource results, efficiency results, people results, service reporting, service outputs, service satisfaction, programme outcomes, programme

satisfaction, and policy and governance. PSEM includes the policy side which also goes beyond the organisation as such, and therefore has the broadest scope (Public Futures, 1998).

For a systemic and systematic approach of ISO, the BSC, EFQM and CAF and PSEM, reference should be made to their websites www.iso.org; www.balancedscorecard.org; www.efqm.org; www.eipa.nl (click on CAF in the right bottom corner) and www.publicfutures.com.

It is possible to discern an historical evolution in these models; moreover, some of these models are clearly converging, and their coverage of the input/activities/output/outcome chain is being extended. A rough schema might look as follows (Table 8.1). PSEM has the most comprehensive viewpoint in that it covers the policy context beyond the immediate outcomes of a specific service.

Table 8.1 Dynamics of Quality Management Models

Model	Input	Activity	Output	Immediate Outcome	End Outcome
ISO	X	X			
BSC	X	X	X		
EFQM	X	X	X	X	
CAF	X	X	X	X	
PSEM	X	X	X	X	X

If these pre-formatted models were to be located on the four quadrant scheme, a probable model would look as in Figure 8.6. The figure represents the participatory potential of the models rather than assessing current practices. A traditional ISO approach focuses more on input and activities or processes. BSC may involve citizens as customers to a certain extent but not fully. However, EFQM and CAF have the potential to involve citizens as customers (although they are not necessarily doing so) and are therefore more compatible with a more participatory way of improving the public sector. PSEM is not well known and belongs to the fourth quadrant.
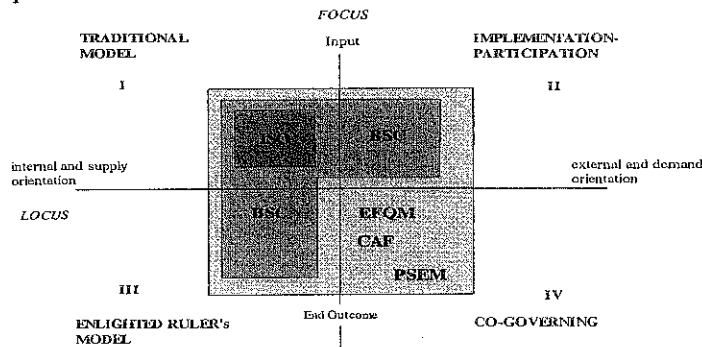
Figure 8.6 Participatory Potential of Some Pre-Formatted Quality Models

Management for Quality in European Public Administrations

Quality management is one side of the picture. What is also important however, is the management for quality. Management for quality in European public administrations requires not only having a better service delivery as such, but also improved perceptions and increased expectations of those administrations (Bouckaert, 1995b). The general assumption is that these three concepts may enhance the level of trust in government to an optimal level (OECD, 2000).

The hypothesis can be advanced that policy makers want to go beyond traditional TQM (Total Quality Management) and move to Total Satisfaction Management or even to Total Trust Management. Obviously this is related to the political-administrative system. In certain countries, e.g. the Scandinavian countries, the principle is to trust government and distrust is the exception. However, in the USA, for example, the position is almost the opposite: distrust is the norm and trust the exception (Hardin, 2002). Therefore the focus should never be on blindly trusting or distrusting governments but on aiming at an optimal, i.e. a functional, level of trust in a particular politico-administrative system.

As Figure 8.7 demonstrates, the guidance of perception and expectations is indispensable to guarantee a more optimal level of satisfaction and hopefully of trust in society. The link between quality, satisfaction and trust is unclear and needs more research and empirical corroboration. Nevertheless the assumption that good quality ultimately will result in more satisfied citizens as customers, and hence will ultimately result in an optimal and functional level of trust of citizens seems to be a key concern of policy makers that reform governments (Bok, 2001). Obviously, trust management in society and government needs more than just good performance (Bouckaert, Van de Walle, Maddens, and Kampen 2002). The performance hypothesis is therefore only one dimension in a much more complex causal scheme.
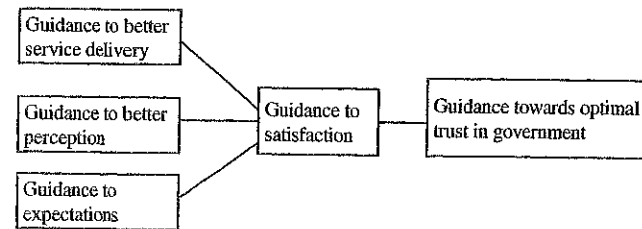
Figure 8.7 Trust and Satisfaction as a Function of Service Delivery, Perception and Expectations

Future Challenges for EU Countries (and EU Candidate Countries)

Focusing more on quality or satisfaction is not just adding one more criterion to an existing list. It is also not just a technical matter, which only affects some technical

procedures or internal processes. Putting quality on the managerial agenda is introducing new actors, like citizens as customers. It is also redefining roles for civil servants as managers, which also affects politicians' roles. A qualitative government and civil service affect society and are therefore political issues. This results not just in a single question, with a single answer, and a one-to-one relation between question and answer. It results in a question of what government we need in which society. Therefore, importing quality and satisfaction means extending a broad agenda of reform and modernisation. This is a major challenge and a major programme; it is more than a minor addition to a technical list of criteria. These challenges and programmes are as follows:

- there is no need for one single quality model but for a clear quality/satisfaction/trust objective. Pre-formatted models may evolve and follow a learning cycle;

- the focus should not be (just) on best practice since it is statistically impossible for one administration to represent such a position *in toto*; however there should be a focus on good and better practice;

- quality management of services and policies is also a political, and not a just a technical, matter; it should be actively put on the political agenda, otherwise citizens as voters put it on the agenda as is visible in several European countries;

- there should be a link between quality and the reform and position of public law; the issue is how private and public law are changing and how management and law are interacting;

- there should be a reflection on the basic assumption of quality management: is there a harmony model or a conflict model between different actors involved (politicians, managers and citizens as customers)?;

- a key question is the transferability of methods and techniques and their related good practices. Transferability may be organised between countries, levels of government, and types of services or policy fields. There could be different levels of learning: single loop, double loop or meta learning.

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Chapter 9

Do Western Quality Models Work in CEE Countries? Some Insights from the Hungarian Perspective

György Jenei and László Gulácsi

Public Service Quality as a New Issue in CEE Countries

In Central and Eastern European (CEE) countries, the emergence of a concern about public service quality is a rather new trend. After the political changes in the early 1990s various initiatives related to improving public service quality started to mushroom. In some countries such as Latvia quality initiatives were supported by the central government (see Chapter 11 in this volume); in other CEE countries, such as Hungary, foreign aid agencies like USAid (see Chapter 3), and non-profit organisations such as the Local Government and Public Service Reform Initiative (LGI) played an important role. Furthermore, public managers shopped around in Western Europe and the US for quality improvement tools, and often only Western quality models (or at least bits and pieces of them) were 'imported' into CEE countries.

Difficulties in the transfer of Western quality tools into the public sector of CEE countries were compounded by the fact that CEE countries had no prior experience with quality management unlike most Western European countries (see Chapter 9 in this volume). In the socialist era, the quality of public services was declared by the communist parties as the best in the world. For ideological reasons, formal quality programmes did not exist under former socialist governments. Not only was it not allowable to criticise the quality of public services, but it was not possible to analyse and assess quality either as the means which would have enabled such analyses were not accessible or not of sufficient reliability. The same can be said about the satisfaction of citizens with public service quality. During the socialist regime, passive citizens were regarded as good citizens – their passiveness was interpreted as being satisfied with the quality of care provided. As a result, no efforts was made to measure citizen satisfaction.

Given the different context of CEE countries, the following question arises: do Western quality models work in the public sectors in CEE countries? It is obvious that this question cannot be answered with a simple 'yes' or 'no'. The authors will investigate which quality management tools are known and most frequently

utilised in CEE countries. They will then discuss whether there is any evidence that the quality of public services has improved, and if yes, at what cost? Last but not least, they will identify the most important challenges to public service quality in CEE countries today.

The basic components of the research methodology were, firstly, a systematic review of the current Hungarian and international literature on the investigated topic, secondly the experience of the authors as consultants in different CEE countries, and thirdly content analysis of various quality improvement programmes in different fields of the health care system. Finally, the analysis also incorporates a series of interviews which the authors conducted with managers and quality consultants in one of the Hungarian hospitals which introduced ISO in 2002.

The Popularity of Different Quality Models in CEE Countries

The best-known quality models in CEE countries are the ISO 9000 series (www.iso.org), the EFQM Excellence Model (www.efqm.org) and the Common Assessment Framework (CAF) (www.eipa.nl). The ISO 9000 series has been widely used throughout the CEE countries since the late 1980s. The EFQM Excellence Model has a shorter history in the public sector – the adaptation of this model only began around the mid-1990s. The Common Assessment Framework of the EU Member Countries and the EU Commission is still a new instrument in CEE countries but it is strongly supported by the governments in many EU candidate countries such as Slovenia and Estonia.

The Huge Demand for the ISO 9000 Series

Although there are no empirical surveys regarding the use of these different quality models by public agencies in CEE countries, there can be no doubt that the ISO 9000 series is the most often utilised quality management tool in the region. This is evidenced by the large number of ISO 9000 applications in public sector organisations. Local authorities, education agencies (secondary schools, universities, public training institutions), health agencies (hospitals and out-patient clinics), libraries, and other public agencies hold ISO 9000 certificates or they are currently involved in the process of obtaining the ISO 9001 or ISO 9002 certificate.

There is no study which has been carried out to investigate this interesting phenomenon. However, the authors have conducted a series of interviews with managers and quality consultants in a Hungarian hospital which has obtained an external ISO 9000 certification. The interviews revealed the following:

- ISO certifications are considered to be very attractive. Many public services managers want to follow the example of their counterparts in industry and achieve a similar development in the public sector, in particular, in health care;

- in some public service areas such as health care, 'high quality public services' are required by law, but this is an abstract requirement, the 'what' and 'how' as well as the way of inspection or assessment, complaint systems, compensation mechanisms and other important elements are not described. ISO certification is a relatively easy but visible way to show that a public organisation has successfully complied with the law;
- to receive an ISO certificate is not very expensive – in general, the certificate is obtained within two years. Furthermore, not much involvement is needed from professionals who tend to keep at distance but usually there are one or two part-time staff who work with the quality consultants;
- since it is not necessary to reorganise the structure and managerial processes of the organisation in order to pass an external ISO 9000 certification successfully, the introduction of ISO 9000 does not lead to any tensions within the organisation. Therefore, there is no need for the managers to engage in conflict management. The interests of various lobby groups are not challenged and the ISO quality system guarantees the status quo.

It is evident that the ISO 9000 series takes on a different importance in relation to different types of services. For example, it is much more common in organisations responsible for waste collection than in universities. This is not surprising, as ISO can play an essential influence in the efficiency and effectiveness of waste collection but, in the case of a university, it is likely to have only peripheral importance regarding the quality of the teaching activities. Indeed, in some services it can result in growing power and dysfunctional influence of financial and other bureaucrats over service professionals, such as the lecturers at a university.

The Challenges of the EFQM Excellence Model

The EFQM Excellence Model of the European Foundation for Quality Management is attracting considerable interest across various sectors of the public services in CEE countries. The key promise of the Model is that excellent results with respect to performance, customers, people and society are to be achieved through leadership driving policy and strategy, people, partnerships and resources, and processes. A certain weight is assigned to each of the nine criteria of the Model, reflecting their relative importance in the achievement of excellence (see Figure 9.1).

The European Foundation for Quality Management has also developed a systematic self-assessment process to help organisations assess their organisational performance in the nine key areas of the model. Nevertheless, the EFQM Excellence Model does not prescribe what to do and how to do it, rather it provides a framework to enable individual organisations to assess themselves and identify opportunities to improve their service.

1. Leadership
2. Policy and Strategy
3. Human Resource Management
4. External Partnership and Resources
5. Processes / CAF: Process and Change Management
6. Customer results / CAF: Citizen Oriented Results
7. People results / CAF: Employees results
8. Impact on Society
9. Key Performance Results

Figure 9.1 The Nine Key Criteria of the EFQM Model of Excellence

In Hungary, until now, there have been only a few sporadic attempts at introducing the EFQM Excellence Model into public sector. According to the interviews conducted by the authors, Hungarian public managers thought that the model with its nine criteria, 32 sub-criteria and 173 sub-sub-criteria is too detailed and complicated. In most cases, the conclusion of the first self-assessment was that Hungarian public agencies provide services which are far from good quality. As a result, the self-assessment exercise was perceived as being rather discouraging and counter-productive to improvement efforts.

The Potential of the Common Assessment Framework in CEE Countries

Given the difficulties of public organisations to make good use of the EFQM Excellence Model one might assume that the CAF as a simplified version of the EFQM Excellence Models would be widely demanded in CEE countries. Indeed, the Hungarian government declared the CAF as a primary tool for modernisation of public administration after the first EU Quality Conference of Public Administration in Lisbon (Dudás, 2002). From a CEE perspective, the CAF has two obvious advantages:

- it is considered as a quality tool which has the 'blessing' of the EU Commission and therefore has some political significance;
- it provide a simple and easy-to-use framework for self-assessment of public sector organisations which have no prior experience with total quality management.

Indeed, the CAF is less rigorous and far less detailed than the EFQM Excellence Model (see Chapter 13). The self-assessment framework of the CAF provides simple guidelines on how to conduct self-assessment. Many public managers in Hungary are convinced that the CAF can help them understand and apply modern management systems, tools and techniques by creating a mechanism for introducing benchmarking between public organisations.

A Preliminary Assessment of the Implementation of Western Quality Tools

Specific Problems Related to the Implementation of the Various Quality Models

Given that Western quality tools – at least the three models discussed above – are increasingly becoming common in CEE countries, one might assume that public services have improved. Unfortunately, there is no empirical evidence which shows that the use of quality tools has had such a positive effect.

Therefore the authors will focus on a more indirect question which is 'to what extent have quality tools been implemented in public agencies?'. As Christopher Pollitt (2002) points out there is a big difference between the rhetorical statement 'we are doing EFQM' and the implementation of quality instruments within the organisation.

Given the high popularity of the ISO 9000 series one might expect that implementation of this quality tool would be the most advanced. The implementation of ISO 9000 is the only and exclusive activity in the field of quality management in most public agencies. Furthermore, there is a large number of certification agencies and consultants specialising in the ISO 9000 series. As a result, there is very high competition. However, there are no national certification bodies monitoring the certification process itself. As a result, certification agencies are not very demanding, and sooner or later, all public agencies which have applied for ISO certification, will receive it. It is striking that the authors did not receive any information about failures to pass the external certification by ISO certification agencies in Hungary.

Another implementation problem is that central government and other non-profit organisations providing managerial assistance to public agencies in Hungary have failed to provide guidelines for implementing ISO 9000 in public agencies, as was the case in Finland (see Chapter 10). As a consequence, the standards of the ISO 9000 series are interpreted and implemented differently in various public agencies, which makes assessments and benchmarking very difficult.

In most CEE countries there are not even national service standards and no other requirements for public agencies to undertake quality assurance activities. The type and extent of quality assurance depends entirely on the managers of a given public agency. This has several negative consequences:

- the translation of the ISO 9000 standards into public services is also agency driven and there are likely to be significant differences among institutions. Guideline for the use of the ISO 9000 series of standards developed locally in one institution (or in a group of institutions) maybe contradictory to those used elsewhere. The further evaluation of the benefit (or harm) of ISO certification will be extremely difficult because the ISO 9000 based quality systems are likely to show great variations;
- professionals are very reluctant to be involved as they do not speak the language of the ISO 9000 series;

e   in CEE countries, very few standards, guidelines and protocols have been set and agreed by various professional bodies. Due to the requirements from the ISO experts, large numbers of guidelines, protocols and other tools for process control were created in the institutions in isolation, usually within a couple of months. Most of them were based on consensus of the staff of the given department, and the scientific evidence behind them is unknown. Their impacts on outcome, effectiveness and cost-effectiveness were never evaluated, and are not known.

Apart from the lack of a supportive policy from the centre, public agencies in CEE countries also face many problems in implementing ISO 9000 which are related to the organisational structure and culture (see Chapter 4). For example, the majority of public agencies do not have well functioning quality improvement teams. If they exist they do not have a budget or authority. Therefore, few of their proposed improvements are implemented. The experience of most CEE agencies with ISO 9000 certification is that the implementation of ISO does not have an impact on the processes. In this respect, the CEE experiences are very similar to the experiences of Finnish local authorities introducing ISO 9000 (see Chapter 10).

In general, public agencies 'buy quality from outside', such as from the ISO 'Quality Consultants'. Indeed, the interviews with the managers of a Hungarian hospital applying for ISO certification mentioned above, showed that quality management is often delegated to external consultants who formally implement a tool with a small number of staff.

However, there is some empirical evidence that ISO certifications may have helped to improve the quality of the management of public agencies (Gulácsi, 2000). In particular, managers now pay more attention to quality management issues such as management responsibility, the quality system, documentation and data control, and process management.

Nevertheless, in many public agencies the value of ISO certificate is overrated. They assume that ISO is an appropriate tool for quality improvement as well. It is not clear that for such agencies ISO has a strong focus on processes, whereas the EFQM Excellence Model or the CAF provide more comprehensive frameworks to respond to the challenge of quality improvement. In many cases, the ISO 9000 series only creates a commitment towards compliance with a documented quality system but it does not necessarily trigger motivation to improve the given quality system or even to revise it completely. But this limitation may have been overcome by the introduction of the new ISO 9001:2000. This broadens the scope of the previous ISO 9000 series by focussing on organisational results as well.

Whereas the key motivation in the case of the ISO 9000 series is externally driven, this is different in the case of the CAF or EFQM Excellence Models which are mainly used for self-assessment (see Chapter 13). As far as the implementation process of the CAF is concerned, some limitations and confusions can be forecasted. A change of mentality is needed among the public managers. There is still a temptation towards a paternalistic state, which is supported by the value orientation of certain social groups. Furthermore, internal pressure for increased quality of public services is often not strong enough. There are social groups with

an interest more oriented towards stability and formal equality rather than quality. There are even cases of clientelistic value systems where civil servants try to support their friends and relatives. In summary, there is a mixture of value orientations and expectations inside and outside public organisations which makes it difficult to conduct any form of meaningful self-assessment.

General Implementation Problems

Service orientation has become an integral part of the modernisation of the public sector in CEE countries. Quality improvement is considered not only as a managerial issue but as a part of the establishment of the rule of law. In particular, there is a general agreement that high quality public services can only be provided on the basis of a political system where:

e   the human rights of the citizens are guaranteed both constitutionally and also in practice;
e   there are channels for interest articulation of the different social groups;
e   there are institutions for achieving compromises among different and, in many cases, conflicting and controversial interests.

Furthermore, the state-customer relationship can have a meaning which is totally different from that in Western countries, where 'customer' is equivalent to 'beneficiary'. There are major differences in how we can speak about the benefits of a paternalistic state instead of a customer – oriented state based on the requirements of different social groups.

In the CEE countries creating democratic legitimacy has been a necessary preliminary for administrative reforms. In the reform and the modernisation of public administration, the first stage was to set up an administrative framework that would be compatible with the principles of a pluralistic parliamentary democracy and of a market economy. This phase is basically over in some CEE countries, but some other CEE countries have still not completed this stage of modernisation.

In the second stage the main focus of the modernisation process is the development of administrative capacities which provide the opportunities for competition (Jenei, 1999b). This is a requirement of EU accession but, in any case, the ability to compete is also a requirement of the current technology and knowledge-intensive phase of economic development.

Isolation and dependency cannot be avoided without the development of a performance orientation in the public sector. Nowadays the performance level of public service systems is a crucial component of national economic competitiveness. In other words public service systems have become an integral part of the competitive economy. The countries of CEE are under pressure from external forces and constraints as well, since their ambition is not to establish a Museum of Outdated Techniques found in their countries.

However, the role of internal constraints is not always quite clear. Poor administration and inadequately conceived or unnecessary regulations could substantially burden the private sector and the activity of non-profit organisations.

Thus the improvement of infrastructure, the quality of public services and the performance of public administration have become key factors not only in the modernisation of the public administration, but of economic recovery and modernisation as well.

Can Western Quality Models Be Transferred to CEE Countries?

The first precondition of the transferability of Western quality models to the CEE countries is the implementation of the main administrative principles of the European Administrative Space (Dudás, 2002). ISO is strongly connected to predictability and transparency, while EFQM and CAF are more connected to accountability and effectiveness. The implementation of quality models will definitely have dysfunctional consequences without a legal and administrative framework characterised by basic EAS principles. The implementation of these principles is compulsory for the EU accession countries but the most serious problems are that the countries which are making initial steps in the direction of quality improvement neglect the movement toward the implementation of EAS. Given these conflicting forces, the introduction of ISO causes an emerging level of bureaucracy and CAF produces an increasing dependency of the public service providers on politicians.

Even in the EU countries there are tensions between administrative principles. There is a broadly discussed tension between the principles of professional integrity and professional loyalty. And a well-known consequence of customer orientation, quality improvement and the application of management techniques is the tension between legalism and managerialism. In the EU the development of the 'Rule of Law' and the introduction of 'New Public Management' was a sequential process. (Even in this development tensions are well-known).

Compared to this there is an essential difference in the CEE countries, namely that these countries had established the legal and organisational framework of a '*Rechtsstaat*' only in the early 1990's, shortly after which they also took on the challenge of introducing managerial systems and techniques in the public sector. Basically the development of the 'Rule of Law' and of the 'New Public Management' have become a parallel process. This means that the real danger in the region is not a tension between legalism and managerialism, but fragmentation.

Creating a legal – organisational framework for a '*Rechtsstaat* ' does not mean that it is already a functioning legal state based on Weberian principles. Without a functioning Weberian democratic system however, the consequence of the initial steps of 'New Public Management' is corruption. This means that even so-called quality models can pave the way in the direction of corruption.

On the other hand, without introducing these quality models the CEE countries cannot increase the competitiveness of the public sector which is an essential

component of the economic, social and political modernisation processes of these countries.

The only solution is that the CEE countries should not try to avoid the Weberian phase of development. A functioning *Rechtsstaat* is a necessity in the course of modernization but the application and implementation of the western quality models also have to be added to this development. A balanced position is necessary and public administration needs a stable political background and strong consensus of the political parties in supporting this process.

Another precondition for transferability is that each CEE country must find its own way to develop its own system. As already mentioned, the public administration system of the EU countries cannot be copied or mechanically transplanted. You can only absorb their experiences when you have a realistic evaluation on the current situation of your own countries. And you have to take into consideration that knowledge has always a cultural dimension. Of course, it is always possible simply to make a selection from the experiences of different models – but the consequence is likely to be the combining of mistakes rather than a relevant synthesis.

Rather than simply copying, a relevant quality model developed by a single local authority or by a school or a health care institution is likely to have a great impact on the development of quality models in the CEE countries. This happened in Western Europe as well. A famous example is the impact of the Tilburg model in the Netherlands on German local government, where the 'New Steering Model' was initiated following the suggestions and recommendations of the Tilburg model. It is interesting that the original Tilburg model evolved much faster towards a more governance – oriented model ('Tilburg Model II') in the City of Tilburg, a fact which is barely known in German local authorities.

The third precondition for transferability is the clear understanding of the main function of different quality models. Obviously, each quality model offers a different perspective for an organisation. For example, the ISO 9000 series put a strong emphasis on written documentation of organisational processes whereas the EFQM Excellence Model provides a wider perspective based on self-assessment.

Conclusions and Recommendations

The most important question is whether the quality of public services has really improved, and if yes, at what cost. There is some evidence that in Hungary the quality of health care has improved after appropriate use of various quality models (Gulácsi, 2000).

However, there are no empirical data concerning the impact of quality improvement on cost reduction. The measurement of the savings achieved through the use of some quality tool is very difficult due to the lack of an agreement as to the meaning of 'quality' and 'cost', and because no standardised accounting methods are implemented in most public service providers in CEE countries.

It is quite obvious that the experiences with Western quality models are likely to be different in each organisational context. Nevertheless, it is possible to draw some general conclusions regarding the usefulness of quality tools 'made in Western Europe' in Eastern Europe:

- the effective implementation of quality models can only succeed on a large scale if there are supportive policies within central government which provide a framework for quality management and a strong commitment to quality on the part of the top managers of public agencies;
- the quality improvement process may begin without the implementation of the main administrative principles of the European Administrative Space but it cannot be completed without a fully functional *'Rechtsstaat'*;
- the emergence of a strong legalistic culture and managerialism creates special conditions for the functioning of the quality models.

There is a significant degree of uncertainty about the effectiveness of quality models in CEE countries. All we know is that their introduction in public organisations is linked with considerable costs. The proper application of quality tools requires considerable time from the managers and staff, the availability of modern ICT systems, and often expert knowledge from external consultants. All these resources might be used alternatively such as for the establishment of quality improvement teams (see Chapter 6). The opportunity costs of quality improvement may be arguable. However, their existence is indisputable. In the long run, the investment of scarce resources in quality improvement activities has to be justified by the results.

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Chapter 10

Finnish Local Authorities' Experiences with the Use of ISO 9000

Salme Sundquist

Introduction

Quality management has been a basic tenet of public management reforms in Finland throughout the 1980s and 1990s. Public service quality received widespread attention following a government report to Parliament in 1990. The aim of the report was the renewal of the whole public sector with special emphasis on improvement in the quality of public services. In 1993, a two-year productivity and quality programme was set up, with several ministries setting up their own quality projects.

The 'Quality and the Community' programme of the Finnish Association of Local and Regional Authorities was one of those quality projects. The programme had three objectives:

- The first objective was to introduce Total Quality Management for service provision at the local level. To this end, the Association of Finnish Local and Regional Authorities produced a Handbook called 'Total Quality Management in Municipal Service Provision' which included a draft of a quality standard transferring the requirements of ISO 9000 into the context of municipal service operations (The Association of Finnish Local and Regional Authorities, 1995a). The 'Finnish municipal quality standard' was based on the ISO 9001 and ISO 9004-2 standards and its objective was to help local authority to introduce quality management.
- The second objective focused on improving the quality of service procurement through the definition of quality standards for sub-contractors so that they met the same requirements as the services provided in-house by local authorities (The Association of Finnish Local Regional Authorities, 1995b).
- The third objective was to test the 'Finnish Municipal Quality Standard' in different service areas. This experiment was called 'the ISO 9000 Pilot Project'. Each local authority which participated in the pilot programme had to develop a quality manual on the basis of the 'Finnish Municipal Quality Standard' which was tailored to its needs. At the same time, the pilots had to

make sure that they would not diverge from the the ISO 9001 and 9004-2 standards too much so that they could still apply for an external certification.

This chapter will focus on the third objective of the 'Quality and Community' programme (the ISO 9000 Pilot Project). The purpose of the pilot project was to determine the applicability of the ISO 9000 series of standards in improving the quality of municipal services and to test customised quality manuals developed on the basis of those standards. Five local authorities of very different sizes took part in the ISO 9000 project, which began in 1993. From the very beginning, the Association of Finnish Local and Regional Authorities, which organised the project, sought to include a range of local authorities from different parts of Finland.

The chapter will briefly describe the implementation process of the pilot programme which ended in 1995. It will go on to analyse the results of an evaluation of the pilots which took place in 1996. As the author will show, the evaluation of the ISO 9000 projects can demonstrate valuable lessons for public service providers considering the introduction of ISO 9000.

Fiscal Pressures and Quality Problems in the Finnish Public Sector in the Early 1990s

When the Finnish Association of Local and Regional Authorities started the ISO 9000 project in the early 1990s, public agencies were facing a dual challenge of ensuring competitiveness and improving the quality of their services. Between 1990-1993, Finland went through a serious recession, with unemployment rising from under 3.2 per cent to over 16.3 per cent (Finnish Ministry of Labour, 2003, p. 27). As the income of local authorities is based mainly on income and property taxes, the revenue of local authorities dropped sharply. As local councils wanted to maintain their level of services, the only solution was to improve productivity and quality of public services.

In 1992, a new local government act was passed (Act on Planning and State Subsidies for Welfare and Health Care 733/1992). Under the new legislation, local authorities were no longer obliged to render services themselves but they were allowed to contract out services to the private or non-profit sector. The act also stipulated that local authorities had to achieve a level of efficiency and quality comparable to that of private sector service providers and that local authorities were still responsible for the quality of services even when they had been contracted out.

In this new context, many public agencies became interested in TQM and ISO 9000 approaches to improve the quality of public services (see also Pollitt and Bouckaert, 2000, p. 219). In particular, at a local level there was a lot of interest in experimenting with new approaches since Finnish local authorities had wide responsibilities. The most important services provided by local authorities were

education, social welfare and health care, and maintenance of the technical infrastructure (http://www.kuntaliitto.fi/english/indexeng.htm).

The Association of Finnish Local and Regional Authorities quickly responded to the new quality agenda and developed the 'Quality and the Community' programme, including three major projects as outlined above.

For the third programme area – the ISO 9000 Project – the total funding amounted to €610,000, supplied mainly by the Association of the Finnish Local Authorities and its members. The Ministry of Trade and Industry also contributed €90,000. The pilots had to bear all project management costs themselves.

A project outline with an invitation to participate was sent to all 450 Finnish local authorities – 200 local authorities responded to the invitation. The Association of Finnish Local and Regional Authorities chose 60 candidates. In the end, five local authorities were selected representing different geographical areas, size of population and other factors – there was one Swedish language city, Vantaa (The Association of Finnish Local and Regional Authorities, 1995c). Once the cities had been chosen, staff from the Association of Finnish Local and Regional Authorities presented the project for approval to the local council in each of the cities.

The five local authorities which participated in the pilot demonstrated a particularly high level of innovation and willingness to experiment. They have continued to display this spirit of innovation, as all but one of the local authorities still continue to use and develop the quality systems they designed during the pilot phase.

Introduction of ISO 9000 in Five Selected Finnish Local Authorities

The pilot included the following local authorities:

- social and health services in the city of Espoo (population 186.507);
- Swedish-language front-office operations in the city of Vantaa (population 164.376);
- general administration in Pori (population 76.561);
- housing services in Hämeenkyrö (population 9.676);
- financial administration in Kannus (population 6.291).

The participants were required to have one full-time employee working as project manager (in most cases, this was the quality manager) and each city was asked to establish working groups. The working groups, usually consisting of 10-15 members, typically included staff from all organisational levels of the respective public service area and representatives of trade unions.

The working groups set out first to describe their own work processes along the lines of the ISO 9000 series. In particular, two standards of the ISO 9000 series were applied: ISO 9001 and ISO 9004-2. The ISO 9001 standard provided guidelines for quality control and quality assurance and was of special importance,

as it formed the basis for subsequent efforts to obtain a quality certificate. ISO 9004-2 prescribed the components of quality management and the building blocks of a total quality system, and also gave guidelines for quality management in services. This made it better suited for municipal service provision than ISO 9001, which was geared more towards manufacturing operations.

Each of the pilot projects produced its own quality manual on the basis of the Finnish municipal quality standard developed by the Finnish Association for Local and Regional Authorities. However, none of the pilots obtained an external ISO 9001certification. In all cases, this was considered to be too expensive and without any practical meaning. Instead, the Association carried out an informal audit of the quality manuals and found all of them to meet the ISO 9001 criteria.

The pilots then introduced the quality systems in day-to-day work. Each employee had the possibility to use the manual and every staff member working in the respective service area participated in the project.

The Evaluation of the ISO 9000 Project in 1996

The implementation of the ISO 9000 manuals were evaluated by the Association of the Finnish Local and Regional Authorities in spring 1996 (Leino, 1996). The evaluation was mainly based on semi-structured interviews carried out by the Association and questionnaires filled in by the quality managers and the city manager of the former pilots.

The purpose of the evaluation was to check the current state of the project and the quality improvement achieved by the pilots. The questionnaire focussed on the following issues:

- management and functioning of the quality system;
- monitoring of public service quality;
- internal and external quality audits;
- human resource development;
- customer satisfaction;
- process development (mainly pertaining to the broader applicability of the ISO 9000 series to public agencies and the problems associated with its use in the public sector).

The evaluation was designed to determine to what degree the pilots had begun to benefit from their quality management systems and how they had further developed these systems. The latter is a key issue as the real problems and advantages of such complex systems only become apparent once they are put into practice.

The ISO 9000 survey carried out by the Association of Finnish Local and Regional Authorities was at the time the only evaluation of the implementation of ISO 9000 in a public sector context, and as such was welcomed by other Finnish local authorities which were considering the introduction of ISO 9000. Moreover,

it is likely to serve as a lesson for local authorities in other parts of Europe, such as those in CEE countries, since the ISO 9000 standard is meant to be universal and tends to be applied in relatively standardised ways in every context.

Table 10.1 Results of a Survey of the Pilot Local Authorities on the Implementation of ISO 9000

Yes = ▲   No = ⚫

	Espoo	Kannus	Pori	Vantaa	Hämeen-kyrö
Management and functioning of the quality system					
1. Written quality policy updated since the start of the pilot project	No	No	No	No	No
2. The project affected by political control	No	No	No	No	No
3. Management reviews held regularly	Yes	No	No	No	No
4. Quality manual maintained	Yes	Yes	Yes	Yes	No
5. Plan for developing quality system	Yes	Yes	Yes	No	No
6. Quality-related costs monitored regularly	No	No	No	No	No
Commitment to service provision procurement activities					
7. Service contracts used by the organisation	No	No	No	No	No
8. Procurement operations subject to systematic quality assurance procedures	No	No	No	No	No
Quality audits and personnel development					
9. Service system audited internally *and* externally	No	No	Yes	Yes	No
10. Personnel received training in quality control	Yes	Yes	Yes	Yes	Yes
11. Elected officials trained in quality control	No	No	No	No	No
Customer satisfaction and processes					
12. Customer feedback gathered and analysed regularly	Yes	No	No	Yes	No
13. Pilot project's positive effect on customer satisfaction	Yes	Yes	Yes	Yes	No
14. Work processes affected by the pilot project	Yes	Yes	Yes	Yes	Yes
15. Possibility of personnel influencing work processes	Yes	Yes	Yes	Yes	Yes
16. Service capability and process efficiency measured regularly	No	No	No	No	No
17. Blueprint for further development of quality-improvement work	Yes	No	Yes	No	No

The Management and Functioning of the Quality System

As is often pointed out by TQM gurus, it is essential to secure the full commitment of all staff members, including the top managers, if quality management is to succeed (see Chapter 6 in this volume). The pilots were asked the following questions about the management and functioning of the quality system:

- Has the written quality policy been updated since the start of the pilot?
- Has political control affected the project?
- Have management reviews been held regularly?
- Has the quality manual been maintained?
- Is there a plan for developing a quality system?
- Have quality-related costs been monitored regularly?

The answers to these questions showed that quality managers were still very much committed to quality management. Beyond that, the local councils of the pilots were very much committed to the ISO project. In the case of all five local authorities, the local councils had created a generic quality policy framework, which proved to be important in maintaining political commitment to the project.

The pilots also considered staff evaluations and in particular, manager evaluations, as an integral part of quality management. The Espoo social and health services project was especially assiduous in this area, with quarterly evaluations of managers focusing on quality issues and customer feedback.

Mini-Case Study 1: Experiences With the Use of ISO 9000 in Social and Health Services

In Espoo, the pilot focused on social services and public health services (The Association of Finnish Local and Regional Authorities, 1995d). The objective was to develop quality assurance for customer service, supporting the existing mode of organizational thinking and reinforcing the existing work patterns of the social and health services. At the Espoonlahti Social and Health Centre, the programme dealt with quality in the following areas: day-care, clinical practice, social work, home help, dentistry and primary health care.

The experiences gained can be summarised as follows:
- the project succeeded in identifying operational models for assuring and assessing quality;
- the prerequisites for good service and sound operations were identified;
- employees assessed their own work and made adjustments;
- the customer was made the focus of operations, on the basis of regular customer feedback;
- the language was rendered more down-to-earth and rhetorical phrases were eliminated.

The findings of the evaluation suggested that the quality system:

- supports the identification of the main service processes;
- supports the effort to unite separate procedures and procedural guidelines into a logical whole;
- supports the development and implementation of results-oriented management within the organisation;
- supports the effort to develop 'service products';
- promotes knowledge of the processes and increases awareness of the need for product development thanks to processes descriptions;
- helps the organisation justify its need for resources to political decision-makers;
- provides tools for making the organisation's service activities known to customers and decision-makers;
- helps implement the adopted working methods by describing work processes and enabling discussion of teamwork.

The major drawbacks were:
- the ISO 9000 series of standards was difficult to absorb; the translation into 'municipal language' helped;
- there was no basis for comparison.

The basic structures of the quality systems designed during the pilot phase were still intact in 1996. The only exception was in Hämeenkyrö, where the planned system had never been implemented. The Hämeenkyrö quality system adhered very closely to the original ISO 9001 standard, which is probably one of the main reasons why it was never put into practice. It turned out that the ISO 9001 standard is too demanding for a small organisation and did not correspond with local needs. Furthermore, Hämeenkyrö housing services are split up among various units, and co-operation during the pilot phase was not what it should have been. On the other hand, with a little more adjustment, a documented quality system could have been designed in Hämeenkyrö, which means that the opportunity for further development still exists.

Mini-Case Study 2: The Use of ISO 9000 in Housing

The area of housing services is very fragmented, as it exists at the intersection of numerous municipal administrations and units. This has led to two different appraisals.
- On the one hand, participants felt that the quality improvement effort complicated their work and created problematic 'seams' between the different municipal administrations. For instance, some individuals had to play different roles in different situations relating to the quality requirements either in their capacity as quality officers or in their 'normal' duties.
- On the other hand, participants found that the quality system helped codify and systematise operations. This is especially helpful in such a non-uniform and

complex field of activity as the housing sector, where regulations, practices, cultures and people often clash with one another.

In Hämeenkyrö, the main lessons learned from the pilot were as follows (The Association of Finnish Local and Regional Authorities, 1995d):

* *Zoning and real estate conveyance*. Quality improvement measures made this very time-consuming and formal activity much more systematic;
* *Technical services related to housing maintenance*. The quality work clarified practices and, more particularly, responsibilities;
* *Social housing services*. The work in this area examined the housing situation of certain groups with special needs. The project facilitated the placement of the customers;
* *Loans and housing repair grants*. The quality system helped to develop rules for this process consisting of dozens of customer service and decision-making stages;
* *Planning of housing services*. The quality system helped in planning municipal housing projects, specifically when to build what type of housing.

One of the main objectives of the Hämeenkyrö pilot project was to disseminate the idea of quality management into all parts of the municipal organisation. For that purpose, a quality co-ordinator was appointed for each service area. Hämeenkyrö team described the pilot as sowing a 'seed' of quality, which is now expected to grow into a strong, healthy tree. The trunk of that tree is the municipality's quality policy and a set of shared quality principles. The branches are the specific quality guidelines for each sector of operations, while the leaves are quality manuals for individual products, services and units.

ISO 9000 as a standardisation system aims to enable organisations to produce a consistent product or service (see Löffler, 2002). It became apparent when the pilot projects were put into practice that standardisation methods intended for manufacturing are not necessarily compatible with providing public services. Some public services, such as social services, require 'looser' standardisation for the quality system to function properly. As the survey revealed, the pilots managed to deal with this problem quite well by building the necessary degree of flexibility into their quality manuals.

Public services, where legal requirements change frequently and rapidly, are particularly challenging in this respect. For example, in 1992 the Finnish national government engaged in various regulatory reforms and started a process of deregulation at the local level. As a result, local authorities were given greater leeway in public service delivery. The pilots were interested in developing their quality systems accordingly, in order to respond to legal changes such as the amendment of the Local Government Act in 1992 (Act on Planning and State Subsidies for Welfare and Health Care 733/1992).

Kannus developed a special index format for its quality manual, and Pori followed suit in order to take into account staff turnover. The index format

describes the work processes, identifies the participating staff and sets out procedures for lodging complaints or appealing decisions, following the ISO standards. This should increase consistency and ensure that staff turnover does not weaken work processes.

The 1996 survey also tried to assess the 'costs of quality'. As Crosby reminds us, a lack of quality can be expensive; in other words, it pays to do things right the first time (Crosby 1986, p. 1). Monitoring the costs and benefits of quality (or its lack) is indeed difficult in the public sector - if not impossible. Some of the costs result from intangible factors, such as damage to an area's reputation, which can lead to decreased investment. But none of the pilots measured what the lack of quality was costing them before the ISO 9000 project started. Furthermore, the pilots did not set up adequate systems for monitoring the costs of quality control even though this should have been an important part of the standardisation experiment. This made it impossible to obtain information on the evolution of the net costs and benefits of the ISO 9000 exercise. In particular, it was unclear whether the cities saved money by implementing ISO 9000 and when they recouped their investments.

Nevertheless, in 1996 the pilots started to develop their own methods of quality-related cost control. However, the situation of the pilots has not been surveyed after that. Instead the Association of Finnish Local and Regional Authorities undertook a new survey in 2001 which addressed all local authorities in Finland (Creutz and Sundquist, 2002). This survey was more general and focussed on the implementation of quality management and the assessment of the use of evaluation tools in municipalities. According to the results of the 2001 survey, only 12 per cent of Finnish local authorities use ISO 9000 standards. At this stage, only one local authority had completed a comprehensive quality management project which concerned the whole organisation and all local services and obtained an external ISO 9000 certification in 2002.

Monitoring of Public Service Quality

The 1996 survey also asked the quality managers how they monitored the quality of public services. In particular, they were asked the following questions:

* Does the local authority use service contracts?
* Are the procurement operations subject to systematic quality assurance?

According to the ISO 9004-2 standard, 'service design reflects the basic choices of the organisation' (Finnish Standards Association, 1992). It requires the organisation to make its goals and the policies for achieving those goals clear. For the pilot projects, the goal was to find customer service/quality indicators for services. Proper application of this standard implied that pilots had to define quality indicators and targets for services in order to assure that all customers got the same quality of service.

The evaluation carried out in 1996 found that the local authorities taking part in the ISO 9000 project had not adopted service agreements of the 'Citizen's Charter' type. Consequently, the benefits of the new standardisation process were not known to citizens. One reason for this was the lack of service quality standards specification – unlike in Denmark, the national government in Finland does not prescribe levels of service standards which have to be met by all local authorities and which local authorities have to report to the local residents. Although the pilots defined their own service standards at the beginning of the project (and those definitions were unaltered by the time the 1996 survey was carried out) they had not published these standards, so citizens were not aware of them. While local authorities had generally done a good job of ensuring that local residents knew about the range of public services available, they tended to have done this through conventional marketing methods (newspapers, local radio, in-house publications) and not as part of the quality assurance initiative.

It is expected that, in the future, local authorities in Finland will be increasingly likely to contract out services rather than provide them directly. However, this issue is not discussed further in this chapter. Most of the pilots used tenders for procuring materials rather than services, and the purchases were usually small enough not to be subject to the ISO quality assurance system. One exception was the Espoo social and health services department which contracted out some services.

Quality Audits

In the survey section on quality audits, the following questions were asked:

⊕   Has the service system been audited internally and externally?
⊕   Has the personnel received training in quality control?
⊕   Have elected officials been trained in quality control?

ISO 9001 describes quality audits as independent examinations, carried out by an auditor licensed for the task in order to verify whether work processes comply with the quality manuals and to determine the effectiveness of those processes. In addition, internal audit should be carried out whenever suitable.

The pilot organisations have not pursued external quality audits, as would be necessary in the case of external ISO certification. Internal audits were held in Vantaa and Pori, as both local authorities had experienced internal auditors. In the 1996 survey, respondents suggested that internal audits helped to improve quality systems, but only where the internal auditor was qualified for the job.

The other pilots saw no need for auditing in the early years of the introduction of the programme. The municipality of Espoo was sceptical about the need for auditing but undertook a self-assessment on the basis of the European Excellence Model (www.efqm.org). They wanted to experiment with ISO 9000, too, but soon decided that the audit requirements were too heavy for them.

The experience gained in the pilot phase suggests that external audits should be held once the standardised processes are up and running as an integral part of the service-providing organisation. In 1996, however, the pilots were less concerned with external certification than with simply getting used to the new quality procedures.

Human Resource Development

Another area covered by the 1996 survey was human resource development. The main objective of human resource development was to ensure that all employees would eventually get some basic training in quality management. One interesting result is that the ISO project generally triggered motivation for quality management training. Initially, the pilots provided training by external consultants but in later stages they shifted to in-house training. Above all, in the 1996 survey, the town of Kannus stressed the concept of learning to be very important.

Although all the pilots recognised the need for training, it was never integrated into staff career development plans, but simply remained a one-off initiative. This was mostly due to costs. However, a much more important (and unexpected) result was that documenting the processes of the programme helped foster co-operation and teamwork. This was particularly evident during the practical implementation of the standards. When employees understand what their colleagues do, the entire work process becomes more efficient, as staff members know who to turn to in various situations.

Customer Satisfaction and Process Development

The following questions were asked concerning customer satisfaction and process development:

⊕   Has customer feedback been sought and analysed regularly?
⊕   Has the pilot project had a positive effect on customer satisfaction?
⊕   Has the pilot project changed work processes?
⊕   Is staff able to influence work processes?
⊕   Are service quality and process efficiency measured regularly?

All pilots had adopted a clearly customer-oriented approach to service provision, extending to both internal and external customers. Direct customer feedback was the most common form of feedback, although in 1996 it was still not conducted regularly.

According to the results of the survey, there was evidence that the ISO 9000 project had increased customer satisfaction but customers were in general not aware of what had caused the improvements.

Nevertheless, the survey also showed that the ISO project seems to have had only a rather minor effect on the service processes. Small adjustments were made to the processes, but on the whole, these remained largely unchanged.

Standardisation had its biggest impact on employees' understanding of their work processes which was achieved by identifying and specifying all processes in respective service areas at the beginning of the project. Staff in the pilots became well-equipped towards influencing and improving their work processes. However, there was still a need for further guidance by the management to take the improvement of processes further. In any case, the development efforts increased the individual workload temporarily even though the final result was more effective work processes.

The municipality of Kannus used the project for a concrete development goal. They used the ISO 9000 project for the improvement of its accounting system. By the improvements in the billing and streamlining of all accounting practices the economic gain was 25 per cent (see Mini-Case Study 3).

Mini-Case Study 3: Applying ISO 9000 in Financial Management

In Kannus, the ISO 9000 project focused on the following processes:
- financial auditing;
- wider scope budgeting;
- collection of fees;
- securities;
- guarantees;
- financial management of municipal social and health services.

The ISO 9000 series of standards forced the managers of the financial department to assess their work processes from different perspectives. Perhaps the biggest challenge was to find analogies between private and public sector operations. The publication of the 'municipal standard' in spring 1994 was a considerable help.

The following was accomplished:
- processes became more streamlined, overlapping work phases and areas requiring further development were identified and certain work processes were computerised;
- the project became a learning process for the participants;
- the individual strengths of staff within their own areas of expertise became increasingly apparent;
- the quality manual was found to be a valuable tool for training new employees and temporary workers.

One important achievement was raising awareness of the issue of quality in financial management procedures, particularly apparent in the improved collections of fees and income. The tangible result was that the level of payments in arrears was reduced by more than 35 per cent in one year. After an internal benchmarking process, a number of existing systems were put to better use or new systems were adopted.

Other Results of the 1996 Survey

The survey confirmed the general applicability of the ISO 9000 standard as a tool for quality improvement in municipal services. The practical experience suggested that there were advantages in using ISO standardisation more widely in Finnish local authorities. However, it seems unlikely that a single, uniform standard could be created for municipal service operations in general throughout Finland. More feasible would be a broad series of standards for municipal operations which could be applied to various branches in the same way that the ISO 9000 series is applied in industry. However, the fundamentals of standardisation should be retained — quality should not be allowed to suffer because of a flexible approach.

The pilots which have continued quality improvement past the trial phase are interested in using other quality control tools, or have already adopted them. For instance, the town of Kannus is now considering whether to shift to the European Excellence Model, as recommended by the Finnish Society for Quality. Espoo has begun to apply the criteria of the Finnish Quality Award in its self-assessments. In Pori, quality development work is continuing on the basis of ISO 9000 and has spread from the pilot unit (the general municipal administration) to other units.

Conclusions

The goal of the Quality and the Community Programme was to promote quality management in Finnish local authorities (and joint municipal boards, where appropriate) thereby to improve efficiency and work conditions and ultimately to increase customer satisfaction with public services. In terms of that particular goal, the results of the pilots were positive overall, in spite of some minor problems. In general, the project can be considered a success as the local authorities continue to use the quality systems developed under the programme, which has provided valuable experience for further experiments with other quality tools.

A great deal of work still needs to be done in the area of quality measurement and quality cost monitoring. A follow-up project of the Quality and the Community Project entitled 'Quality Strategy for Municipal Services' is now developing the tools for measuring progress. Efforts are being made to design measurements that are objective and appropriate for particular tasks, which should also improve quality-related cost monitoring.

The pilots found the ISO 9000 standardisation difficult but the thoroughness of the standards means that ISO provides a good starting point to begin developing quality control. The ISO 9000 set of standards is also an excellent tool for introducing organisations to quality management as long as the process is supported by adequate staff training (such as in Espoo, where quality manuals are used as training material for new employees).

All the local authorities which participated in the programme have continued to undertake quality management work. Moreover, ISO 9000 has been taken up by other local authorities as well, mainly in relation to services contracted out.

Nevertheless, its use is still quite limited. So far only about 20 local authorities in Finland have obtained an external ISO certification for one or more process, and only one local authority has had all its processes certified. In summer of 2001, a survey was conducted on the use of various quality improvement tools. ISO 9000 was found to be used only in 12 per cent of the local authorities, with quality award criteria used in 16 per cent and the balanced scorecard approach in 30 per cent. Interestingly, customer satisfaction surveys (which are important in virtually all quality management systems) were used in 56 per cent. The most common approach listed by local authorities was the annual staff performance report (in 63 per cent of the local authorities), but it was not clear how closely it dealt with the issues of management quality.

There has been considerable interest from other local authorities in the experiences of the pilots. Further efforts to expand quality assurance based on the ISO 9000 series can be supported by the adoption of quality award criteria or benchmarking (depending on the specific goals of the service organisation) by local authorities. The main result of the project was introducing the quality management systems (ISO, EFQM) for municipalities. The next step is to promote evaluation methods, for example BSC (Balanced Score Card), to continue service provision and efficiency development. The Association of Finnish Local and Regional Authorities is presently organising the participation of Finnish municipalities in CAF's Best Practice Competition.

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