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## **ABSTRACT**

Quality management systems are being adopted by organizations more and more. Traditional models strongly built up on the financial perspective are no longer providing the benefits that today's organizations need. Total Quality Management is a concept that considers every interaction between the various elements of the organization. It has proven to be a valuable tool, for example in increasing cost-effectiveness, customer satisfaction, market share and profits.

In the public sector controlling and managing quality has been discussed already for two decades, but no significant breakthrough has taken place. During the last years, however, different kind of new terms have been connected to the quality thinking: quality controlling, quality assurance, quality awards, service engagements and ISO –quality systems that have encouraged the discussion and increased organizational managers' interest in the concept.

This thesis will go through the different subjects related to quality management and study the present level of quality controlling in Finnish Municipalities. It discusses the advantages and problems that a public organization might have when starting to control and manage quality.

The research was conducted as part of the public sector project of my current employer, a research company, Innolink Research Ltd. Innolink wanted to map out the Finnish municipalities' demand for quality measuring solutions and increase its awareness in the public sector.

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**Keywords:** Public Services, Quality, Quality Controlling, Total Quality Management, Balanced Scorecard

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# 1. Introduction

The welfare society in Finland is highly valued. Public services are considered important and viewed as part of the Finnish way of life. This all, however, is currently at risk. Our taxation is at a high level and the increasing international competition set pressures. Taxation should at least be maintained at the present level. On the other hand, population is getting older and pension expenditures as well as social / health services are coming in greater demand. It is time to think how to get more out of the existing resources. Can it be ensured that the present services produced by the public sector can be provided in the future as well?

Quality has become the most important force leading organizations to success and growth in national as well as international markets. The return-on-investment from effective quality program provides excellent results in profitability, market penetration, productivity and cost of quality. Many organizations, private and public, have noticed this and realized effective quality strategies that are strong in depth and commitment. Others, however, conduct one-time quality encouragement programs or just use a few traditional quality control techniques. This refers to the fact that controlling of quality is still an investment that organizations are unsure about. In some of the public sector organizations, where the resources are more limited, managers ask questions such as: Is quality controlling really beneficial or does it just bring more problems and expenses? What kind of quality system meets the varying needs of the public sector organizations? How much does the controlling cost?

This thesis discusses the preceding topics based on different theories as well as the results from the research targeted to decision-makers in Finnish municipalities.

The purpose of this thesis is to:

- Map out the different variations of quality programs that hold away in the Finnish municipalities
- Study how the municipalities prepare and implement quality measurements, essential for quality controlling
- Clarify how satisfied municipal decision-makers are with their own municipality's resources, quality measuring and working methods related to quality controlling.
- Chart the demand that municipalities have for research and consulting services

- Find new potential public sector customers for Innolink Research Ltd.
  - Increase the recognition of Innolink Research Ltd. in the target group
  - Increase the target group's interest in Innolink Research
  - Increase the target group's willingness to co-operate
  - Increase the target group's activity in relation to Innolink Research
- The last four goals form an AIDA MODEL  
 → (attention, interest, desire, action)

The topics discussed in the study are structured as follows:

1. Services
2. Quality
3. Total quality management
4. Quality management in the public sector
5. Research results

The first four parts of the study form the theoretical framework. The concepts and relationship between services and quality are explained in order to provide a better understanding of their connection to success. A chapter on Total Quality Management will then follow with brief history and theory examples of the concept. Also discussed will be quality management in the public sector; how it differs from the quality management in the private sector and what type of solutions it provides to the public sector organizations.

The second part will go through the results on the municipal research. It discusses the position of quality controlling in municipalities' goals and strategy and the respondents' personal contribution to the quality controlling processes. Presented is also the respondents' opinion of how successful quality measuring and its' different phases has been in the past and what new procedures / methods are in demand. Data for the research was collected through an e-mail survey.

The theoretical material for this thesis was collected from literature concerning the topics of quality, services, total quality management and quality management in the public sector.

## 2. Service

### 2.1 Definition of Service

“A service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employees and/or physical resources or goods and / or systems of the service provider, which are provided as solutions to customer problems.”

(Grönroos 2001: 46)

Services are commonly known as processes and activities that aim to solve customers' problems or fulfill customers' needs. Customers usually participate in service production and the core value of the service is produced in buyer-seller interactions. Additionally, production, distribution and consumption are considered simultaneous processes. This means that services are totally / almost totally produced when the customer is present and receives the service, which makes controlling of services complicated. (Grönroos 2001: 45-52)

### 2.2 Service Production

#### 2.2.1 Customer Resources

Service production fulfills customer's needs. Customer receives and consumes the produced service. In some cases, customer himself, is the producer of the service. For example, customers that buy groceries from a supermarket, gather the items, push the shopping cart and put their purchases on the line themselves. In this kind of service production the customer does most of the entire transaction.

Traditionally, customers' role is more passive. When getting a haircut, customer only sits on the chair and the personnel takes care of washing and cutting, performing the service. This means that customers also have a role in observing the service process. If they are not satisfied with the services, they go to a different service provider.

In service production the interaction between customers is often an important factor. What is the point of going to a disco, if there is no one else there. Sometimes other customers might have a negative affection too. A child might start crying in a concert or a drunken guy might misbehave in a fancy hotel. (Järvelin & Co 1992: 31-32)

## 2.2.2 Contact Resources

Contact resources are people and equipment that customers interact with. These resources represent the company in the eyes of the customers. In other words, customers visualize the company according to the contact resources. Customer service personnel and different automatic machines, e.g. cash machine, are considered typical contact resources. This is why it is important to improve and develop everything that relates to these resources. Especially employees in customer service should pay attention to their behavior in service interactions. Walt Disney Company has made a letter of advice for the new employees in order to improve contact resources. Here are some of the tips mentioned in the letter:

- Smile
- Take an eye contact to the customer
- Take care of your appearance
- Try to foresee customers' wishes and expectations
- Say thank you and please as many times as possible
- Be emphatic
- Offer special service, if something has gone wrong
- Offer help and knowledge, you are the source of information to the customers
- Make the customer happy and satisfied by showing genuine interest

(Järvelin & Co 1992: 33-35)

## 2.2.3 Physical Resources

Physical service environment, such as office, has an important role in whether the customer is satisfied with the service or not. When thinking of a supermarket for instance, you can tell quite a lot about the supply and price-level just by looking at the decoration. If it looks fancy and expensive, you probably expect good service and disappoint if you do not get it. Alike a customer of a travelling company might disappoint if the destination place do not go together with what was shown in the pictures at the time of buying.

(Järvelin & Co 1992: 35)

## 2.3 Service Strategy

In order to achieve increases in sales, better image or working atmosphere, company's strategy should not only lean on expense perspectives and internal effectiveness. Management should pay attention to customer interactions and make decisions on the basis of external effectiveness and factors related to



customer relations. This might require recruiting of new workforce or technology, but if the earning effects are more than the additional expenses, this should be done. It is good to remember that measuring quality does not usually increase expenses. Understanding customer relations, experiences and functional dimensions of quality, however, is needed. (Grönroos 1998: 159-161)

Improved quality of services has two-dimensional effect; internal and external. Internal atmosphere and work motivation improves when employees notice that their customers are more satisfied. Situation gets even better if this positive progress is supported with common strategy and management decisions. Externally thinking, company achieves a good image and people talk positively about it. This means that the current customers might start buying new services and potential customers become more interested in the company. (Grönroos 1998: 161-162)

Implementation of service strategy requires forgetting of old rules and following the new way of thinking. The effects of services on customer relations can in principle be improved in three ways:

1. By developing new services
2. By strengthening current services
3. By changing an item component to a service element

Developing of new services e.g. consulting, maintenance, upkeep or training can be an effective way to differ from the competitors and add value to the supply. The second option is more traditional and therefore not generally considered as a strategic tool with a major effect in customer relations. The biggest problem is that the existing services such as invoicing, technical support or deliveries are not considered as services, but routines instead. By not identifying and strengthening such services, the company might lose a great opportunity to improve competitiveness. Changing an item component to a service can take place e.g. through customization. If a physical product is offered flexibly and according to the customers' needs, it can be considered as a service. A good sales person would use this kind of strategy to improve the sales, but in order to successfully change a product into service, all the organizational levels have the same approach. (Grönroos 1998: 164-166)

## 2.4 Public Services

Public Services differ from the services produced by private organizations. Publicly owned organizations, for example, function according to political rules whereas private companies are market-driven. Public services are usually defined by law and financed through taxation. They can be either fully in public ownership or owned by private shareholders. In some cases the

ownership is shared. E.g. electricity and water companies can be owned by a private shareholder but regulated publicly. How the public services are charged, depends on whether a charity, local community, national government or private shareholder provides them. Examples of public services are e.g. education, health services, social services, law and order, environment, transport and national defense (Doherty, Horne 2002: 3-5)

The main idea of public organizations is to ensure basic services and equal rights to use them for all the citizens of society. The Public administration forms from representatives of the society and is run by legislation. Citizens have responsibilities and rights, but they do not have a possibility to choose whether they want to use some of the services or not (compulsory education, taxation, judiciary, national defense, police etc.). Neither do they have a chance to choose the producer of such services. The focus area of public operations is to take care of the public responsibilities as effectively and well as possible. Public organizations have a wide social responsibility in creating profitability through a stakeholder value. In other words, they need to ensure that the expectations and experiences of the stakeholders match. All the individuals that contribute to the achievements of the public administration and who are effected by the achievements can be considered as the stakeholders. (Määttä, Ojala 2001: 27-29)

## 3. Quality

### 3.1 Definition of Quality

In the traditional dictionary definitions quality is often defined as a degree of excellence, superiority in kind, high standard or essential character. Professionals, however, have much more functional and active approach to the meaning of quality.

Phil Crosby, the founder of the Quality College in Orlando, Florida, states that quality is “conformance to requirements or specifications”. Joseph Juran, another quality leader in the recent past, argues that quality is “fitness for use”, while Feigenbaum, one of the quality control pioneers, defines quality as follows:

The total composite product and service characteristics of marketing, engineering, manufacture, and maintenance through which the product and service in use will meet the expectations of the customer. (Wadsworth et al 2001: 15)

The quality concept has many different interpretations depending on the viewpoints. Generally speaking, quality is considered fulfilling of customers’ needs. Customer satisfaction is important, but not adequate alone. In order to develop and maintain good quality it is crucial to continually improve

performance, reduce error margin and do the right things from both the company's and the customers' point of view. (Lecklin 1999)

Paul Lillrank divides quality into six different viewpoints:

- Production Quality
- Product Quality
- Value Quality
- Competitive Quality
- Customer Quality.
- Environment Quality.

(1990:25)

In practical business, all of these viewpoints are usually represented. Production department emphasizes production, quality and product development, marketing department concentrates on customer quality and finance department is interested in value- and competitive quality. The importance of environmental quality is increasing and it has become a success factor for many businesses. Customer quality however, is in the key position, because it does not put all the emphasis on one particular dimension, but instead makes all the aspects fit together. (Lecklin 1999: 25)

## 3.2. Quality as a critical success factor

Companies are always dependable on group of factors that either improve or deteriorate business activities; these factors are called success factors. Quality can be, and usually is, a success factor that affects business internally and/or externally. Internally, good quality means accurate products and thus cost-effectiveness, which has an impact on company's gross margin and profitability. As observed externally, quality improves customer satisfaction and loyalty. Satisfied customers buy more and are often willing to tell their good experiences to others (potential customers). Customer satisfaction is a crucial focus area of quality development and customer is the final quality evaluator. In other words, business can continue only, if customers are ready to pay an adequate price for the company's products.

Companies or organizations that are able to utilize quality in a form of a success factor, see their customers as a broad concept. The customers are not

just considered as people who buy the company's products but instead a long chain of customers / consumers that are carefully segmented. These segments are then analyzed by considering all the segment-specific needs and preferences at the very early stage of the product development and marketing strategies. A quality company is committed to its customers and acts reactively and flexibly to all the signs and needs that come from them. (Lecklin 1999: 29-33)

In order to improve customer satisfaction and quality, companies need to concentrate on re- and proactive activities. Reactive activities include managing and resolving customer complaints, conducting customer satisfaction surveys, developing customer satisfaction models and benchmarking. Listening to the customers' needs and developing / implementing a concept of product or service can be considered in proactive actions. By using these tools companies can reach the phase where quality acts as the most critical success factor of the operations. (Sarv Singh Soin 1999: 13)

## 4. Total Quality Management

### 4.1. Definition

*What does TQM stand for?*

*Total* means that everyone in the organization is involved in the quality improvement. On the other hand, the concept refers to the totality of quality; Service quality, process quality, quality of work community etc.

*Quality* refers not only to the core of leading philosophy but also to customer orientation. Customers are the main players in defining quality and success of services.

Word *management* in TQM sense, emphasizes commitment. Management approval for quality improvement is not enough. Managers' activity and participation as well as ability to modify managerial methods are needed in order to support the quality development. (Macdonald 1998: 6)

## 4.2. History

The concept of Total Quality Management (TQM) comes from Japan. Already in 1949, Japanese University researchers and engineers established a coalition (JUSE, Japanese Union of Scientists and Engineers) that set a national committee together with public sector representatives. The committee's common goal was to improve the quality of Japanese life and production methods. Two Americans, Edward Deming and later on J. Juran were invited in Japan to share their thoughts about quality and to be the committee's quality experts. They started giving lectures on new techniques of quality control in various university localities in Japan. Soon new ideas of quality development and statistical quality methods spread from the universities to the practical work life and TQM became a concept.

Japanese people adopted the concept fast and began to use it widely. Reasons for this kind of rapid movement were at least Japan's weak international competitiveness and market share losses. After a while, American companies and politicians noticed the improved quality standards of Japanese industry and Deming and Juran started to do their consulting work also in the U.S.

In the beginning of 1990 several studies were published on quality management models in the U.S. Results were almost completely positive. Listed benefits included better quality of products and services, reduced costs, more satisfied customers /employees and improved financial capacity. Some drawbacks and weaknesses, however, were also seen in the studies. Especially increased paper work, formality, and unrealistic expectations on employee commitment. Additionally, emphasizing process beyond results and forgetting small companies and service companies were considered disadvantages of TQM model. Quality improvement as a goal, has also been seen problematic, because defining and measuring of quality is difficult. (Lumijärvi, Jylhäsaari 1999: 20-27)

## 4.3 Deming's 14 Points for Management

W. Edwards Deming is known as the developer of statistical quality control system. He is a father of the famous Deming Prize for Quality and responsible for quality improvement in various countries all over the world. His philosophy is based on the 14 points that an organization needs to adopt in order to achieve a high level of excellence in quality. Deming is also known of the Deming chain reaction; as quality improves, costs will decrease and productivity increase, resulting in more jobs, greater market share and long-term survival. Joel E. Ross summarizes Deming's 14 points for management as follows:

1. **Create consistency of purpose with a plan.** *The objective is constancy of purpose for continuous improvement. An unwavering commitment to quality must be maintained by management. Quality, not short-term profit, should be at the heart of organization purpose. Profit will follow when quality becomes objective and purpose.*
2. **Adopt the new philosophy of quality.** *The modern era demands ever-increasing quality as a means of survival and global competitiveness. Inferior material, poor workmanship, defective products, and poor service must be rejected. Reduction of defects is replaced by elimination of defects. The new culture of quality must reflect a commitment to quality and must be supported by all employees.*
3. **Cease dependence on mass inspection.** *Quality cannot be inspected in; it must be built in from the start. Defects discovered during inspection cannot be avoided – it is too late; efficiency and effectiveness has been lost, as has continuous process improvement. Continuous process improvement reduces costs incurred by correcting errors that should not have been made in the first place.*
4. **End the practice of choosing suppliers based on price.** *Least cost is not necessarily the best cost. Buying from a supplier based on low cost rather than a quality/cost basis defeats the need for a long-term relationship. Vendor quality can be evaluated with statistical tools.*
5. **Identify problems and work continuously to improve the system.** *Continuous improvement of the system requires seeking out methods for improvement. The search for quality improvement is never-ending and results from studying the process itself, not the defects detected during inspection.*
6. **Adopt modern methods of training on the job.** *Training involves teaching employees the best methods of achieving quality in their jobs and the use of tools such as statistical quality control.*
7. **Change the focus from production numbers (quantity) to quality.** *The focus on volume of production instead of quality leads to defects and rework that may result in inferior products at higher costs.*
8. **Drive out fear.** *Employees need to feel secure in order for quality to be achieved. Fear of asking questions, reporting problems, or making suggestions will prevent the desired climate of openness.*
9. **Break down barriers between departments.** *When employees perceive themselves as specialists in one function of department without too much regard for other areas, it tends to promote a climate of parochialism and set up barriers between departments. Quality and productivity can be improved when there is open communication and coordination based on the common organization goals.*
10. **Stop requesting improved productivity without providing such methods to achieve it.** *Continuous improvement as a general goal should replace motivational or inspirational slogans, signs, exhortations, and workforce targets. The major cause of poor productivity and quality is the management systems, not the work force. Employees are frustrated when exhorted to achieve results that management systems prevent them from achieving.*

- 11. Eliminate work standards that prescribe numerical quotas.** *Focus on quotas, like a focus on production, may encourage and reward people for numerical targets, frequently at the expense of quality.*
- 12. Remove barriers to pride of workmanship.** *A major barrier to pride of workmanship is a merit or appraisal system based on targets quotas, or some list of personal traits that have little to do with incentives related to quality. Appraisal systems that attempt to coerce performance should be replaced by systems that attempt to overcome obstacles imposed by inadequate material, equipment, or training.*
- 13. Institute vigorous education and retraining.** *Deming emphasizes training, not only in the methods of the specific job but in the tools and techniques of quality control, as well as instruction in teamwork and the philosophy of a quality culture.*
- 14. Create a structure in top management that will emphasize the preceding 13 points every day.** *An organization that wants to establish a culture based on quality needs to emphasize the preceding 13 points on a daily basis. This usually requires a transformation in management style and structure. The entire organization must work together to enable a quality culture to succeed. (1999: 5-7)*

## 4.4 The Juran Trilogy

The following three processes represent Dr. J.M. Juran's idea of quality management (known as the Juran Trilogy).

### *Quality Planning*

- Identify customers (external as well as internal)
- Determine customer needs
- Develop product features to meet customer needs
- Establish product goals
- Develop processes to meet the product goals
- Prove process capability

### *Quality Control*

- Choose control subjects – what to control
- Choose units of measurement
- Establish measurement
- Establish standards of performance
- Measure actual performance
- Interpret the difference (actual versus standard)
- Take action on the difference

### *Quality Improvement*

- Identify specific projects for improvement
  - Organize project teams
  - Discover causes
  - Develop remedies
  - Prove effectiveness of remedies
  - Deal with cultural resistance
  - Establish controls to hold the gains
- (Lennart Sandholm 2000 2<sup>nd</sup> ed.: 61)

Juran sees quality improvement as a continuous process. The process begins from a market research and clarification of customer needs and ends when the products are sold to the customers. Quality should be developed based on the information gained from the market. Internal quality barometers and feedback from direct and indirect customers should be followed consistently and if needed, the process started from the beginning.

*Planning* phase includes preparation of activities that must be done to reach the quality goals. Identifying customers and their needs is a very crucial part of this phase; without knowing what customers want it is impossible to design products that meet their expectations. Before the products are developed, however, it is essential to develop processes that assure that the product goals are achieved. Finally, the process capability should be double-checked.

*Controlling* requires determining of which subjects are to be controlled and how they are measured. Standards need to be established in order to measure the performance and action should be taken on the differences. It is said that what we cannot measure we cannot manage. The controlling process models the operating activities so that the quality targets can be achieved and quality can be managed.

*Improvement* process, as well as, all the other elements of the Total Quality Management requires everyone's contribution in the organization. Better quality can be achieved by systematically dealing with it in connection with the development of new goods, services and processes. Detailed study and analysis of the quality activities of the company point out what has to be done to improve quality, and through that, efficiency and profitability. Some examples of methods that can give valuable information on how to improve quality are customer satisfaction surveys and benchmarking.

(Lennart Sandholm 2000 2<sup>nd</sup> )



## 4.5 Starting Point for Quality Management

### 4.5.1 The Manager's role

In order to manage quality, executives need to make the whole organization committed to the total and continuous improvement. Managers have a crucial role in providing the resources and environment for the quality improvement and ensuring that the change is taking place. They need to plan, support and control but most of all have an impact on the employees' attitudes. If needed, managers must change their own thinking and behavior to change employees' attitudes to the desired direction. (John McDonald 1998: 58)

Changing organizational behavior is never easy. It is crucial that there are strong influential factors inside and outside of the organization. Usually these factors are competitors, demanding customers or interaction between managers. In many cases management accept the principles of quality management but fail to implement the process. This is, because they do not see quality management as a continuous commitment, but think it is a technical operation instead. (Lipponen 1993: 51-53)

Quality management needs to be connected to the company's strategy, which every employee should aim to work in line with. Manager duties do not ever end in the quality management process. After analyzing the demand for change and determining new strategy (creating values) managers need to pay attention to the infrastructure that smoothes the change. This should be a system that reaches the different organizational levels and is able to fight the opposition that is on the air in the beginning of the change. Internal opposition rises from the fear for the change. People are afraid of not knowing enough of the situation or that they lack some skills needed in the new processes. This is why it is important to establish quality teams, quality meetings and recruit permanent persons that know their own responsibilities in quality. Company also needs a common quality policy that guides everyone in improving quality. (Lipponen 1993: 52)

Jim Beaubien have listed some assumptions and results of the leadership involvement and attitudes as follows:

**Table 1: Assumptions and Results of the Leadership Involvement**

Assumptions	Results
People have to be controlled.	An organizational caste system.
Without control from the top, they will become non-productive.	Rank has its privileges. A feudal system.
Managers are smarter than other workers and better to make decisions and issue orders.	Cynical work force. Workers lack faith in managers. Trust and loyalty replaced by cynicism and fear
People are a commodity and are seen as replaceable. “people assets”	Adversarial labor relationships. Each group acts to protect its own interests.
Organizations work best when assigned Major stakeholder to discrete roles and responsibilities.	Bottom-line focus. is shareholder.
Incentives based on profit and growth.	
Making profits is the purpose of a business. Measurement systems focus on financial results. (Beaubien 1998: 66)	Disengaged work force.

## 4.5.2 Tools and Measuring

*ISO (International Organization for Standardization)* is a global association of experts from business, government, and other relevant organizations, that set standards for quality controlling. ISO standards can be characterized as general – they suit for all different organization sizes and business fields. (Lipponen 1993: 59)

Joel E. Ross states that “*ISO defines the management system as what the organization does to manage its processes or activities. To be really efficient and effective, the organization can manage its way of doing things by systematizing it. This ensures that nothing important is left out and that everyone is clear about who is responsible for doing what, when, how, why, and where.*” (Total Quality Management: Text, Cases and Reading: 1999)

A quality system, such as ISO 9000 or 9001, embraces all activities that influence quality. It also shows the relationships between these activities. It is a network of procedures that should be followed in order to influence the quality of products or services. If the organization has carried out and documented all

of the processes according to the quality system standards and in addition passed the check-up of ISO, it can receive a quality system certificate (e.g. ISO 9004 –2). This kind of status gives the company added value, marketing support and better image as well as all the advantages that good quality brings itself. This all is not free of cost however. Getting a certificate and maintaining it, costs approximately 700 to 14000 e / year, depending on the quality standard and intensity of checking. In addition to money, implementing a quality system requires at least an extensive analysis of the starting situation, management commitment, adequate quality training arrangements, sufficient expertise and capability to organize documentation and development work. (Lipponen 1993: 49-68)

*Quality auditing* is an independent examination and follow-up of quality. It makes sure that there is enough support for quality improvement; adequate directions, know-how, understanding, knowledge, resources and tools. Quality auditing gives management a chance to check the competitiveness of the improvement process. The three main questions to be solved in auditing are: has the process been documented, is the process in practice moving on and what improvements have taken place? Auditing targets can be company activities, subcontractors, other business partners or products. A typical external quality audit would be the audit, which precedes certification in accordance with the ISO 9000 requirements. (Lipponen 1993: 71-72)

*Quality Awards* are awards that can be achieved through fulfilling quality requirements and standards. For example, the Japanese have been using the Deming-award for some time now. Companies that apply for such award are evaluated according to the Deming's quality philosophy. An example of a modern western quality award is the Malcom Baldrige National Quality Award that was named after an American Minister of Trade. The purpose of these kinds of quality awards, is to disseminate quality-awareness, distribute information on successful strategies and achievements, improve company image in the eyes of customers and increase competitiveness. (Lecklin 2002: 344-350)

*Benchmarking* is one of the total quality management techniques. Its fundamental meaning is to continuously compare a company's strategy, products and processes with other companies, usually successful leaders, in order to learn how they have achieved excellence and to use them as examples. In practice, this means gathering data on how well the company performs against others and then analyzing it. There are three different types of benchmarking: internal, competitive and universal. Internal benchmarking measures one part of the organization against other. It aims to identify best practices and methods that work in the organization. Competitive benchmarking is comparing a company's performance against its competitors. This can be done e.g. through studies and by observing the competition and "playing catch-up". Universal benchmarking means comparing your product or service universally and regardless of industry in order to be the best-practice

company. This causes the goals to be set much higher than with other benchmarking techniques. (Ross 1999: 260-263)

*Customer Surveys* are most commonly used in measuring quality. Customer satisfaction can be clarified by measuring how customers' expectations and needs are fulfilled in regard to different properties e.g. reliability, aesthetics, adaptability and respect for customer feelings / rights. (Ross 1999: 233)

Quality improvement based on customer feedback is a very essential tool of quality management. The first step in conducting a customer satisfaction survey is to make a research plan. Definition of research sources (primary or secondary data), selection of target group, data collection methods as well as research tools are to be devised during this phase. Planning of research contents e.g. questions and form of words is important too. Surveys can be conducted by phone, via e-mail or regular mail or through personal interviews depending on the target group size and type. (Lipponen 1993: 39-42, 92)

Measuring techniques can be divided into two main groups, quantitative and qualitative. In quantitative research, usually conducted through mail or phone, respondents give numerical evaluation of their satisfaction. In addition, the research questionnaire can include open questions, space for free-form feedback, where the respondents can list their experiences and opinions in their own words. Qualitative method usually consists of personal interviews or group discussions where the interviewer can ensure that all the questions are understood and through that is able to correct possible misinterpretations. Face to face people usually also answer more honestly than e.g. on the phone, but personal interviews are expensive and cannot be really conducted if the target group is too wide. (Lecklin 1997: 117-122)

## 5. Quality Management in the Public Sector

The legal and democratic nature and political background of public services have an affect on the utilization possibilities of quality management practices. The original quality management models do not apply the same to the public sector as they do to private organizations. This is why there are separate theories and models created particularly for the public sector that, aim to utilize the original quality management characteristics. (Lumijärvi, Jylhäsaari 1999: 107-112)

## 5.1 Democratic Quality Management Model

Naomi Pfeffer and Anna Coote designed the Democratic Quality Management Model in order to meet the needs of the public sector. Public sector customers differ from the private organization customers in a way that they are divided into separate groups – consumers, citizens and service producers. Another difference is that their wishes and expectations cannot be fulfilled the same way as in the private sector. A good example of this is selecting, which is choosing between services. There is no point to e.g. establish two hospitals in the same city just to create an opportunity of choosing for the customers.

The Democratic Quality Management Model consists of three different approaches; traditional, scientific, managerial and consumer. Traditional view emphasizes the association between quality and expensiveness. The scientific approach interprets quality according to professional norms and requirements whereas the consumer viewpoint is connected to markets / quality in relation to supply and demand. The managerial approach is known from its way of utilizing customer satisfaction and best practice composition. (Lumijärvi, Jylhäsaari 1999: 107-108)

## 5.2 Consumer-Oriented Quality Management Model

George Wagenheim and John Reurink have created the Consumer-Oriented Quality Management Model for the public sector. It is based on the philosophy that quality must correspond with the consumer's needs and expectations. In other words, consumers must be the drivers of the organization and they need to set the standards for success. Customers are divided into internal and external customers. They can be service consumers and ratepayers at the same time. Consumer perspective has a special importance in public services that:

- 1) Give the customer an opportunity to choose whether to purchase or not to purchase the service
- 2) Customer has a choice of freedom
- 3) Service is an outcome of work of many producers and subcontractors
- 4) The subcontractor chain has a common goal
- 5) Customers fall into diverse and heterogeneous groups.

The consumer-oriented quality management system is in many ways similar to the original quality management model. Continuous follow-up of customer

satisfaction is important because it tells whether the organization is doing the right things in the right way. In addition, the model aims to decentralize responsibility, make information systems more open, improve quality and customer service, increase the use of technology in informing and improve personnel training and social skills. (Lumijärvi, Jylhäsaari 1999:109-110)

### 5.3 Quality Management System for County-Level

John Stewart and Michael Clarke have centralized their quality management theory on the county sector. The main idea is that authorities understand their status as the public servants. When looking at the quality of public services, it is important to consider that authorities always work under certain resources provided. The county-level quality management system is more customer-orientated and concentrates less on the internal quality management development. It emphasizes simultaneous evaluation of quality and expenses; customer evaluation as well as authorities' sensitivity on customers' expectations. Customers' freedom of choice should be maximized whenever it is possible and quality should be measured according to the quality standards. Sometimes customers have subjective role with public services. They might have to receive certain services, such as taxation or police actions, but they are able to define the service conditions because of the political processes. Another factor to consider is that markets do not define the demand for the services (e.g. nursing, national defense or legal acts). Whether to produce and offer a service is in the hands of policymakers unlike in the private sector, where services are produced according to market drivers. Stewart and Clarke think that service-orientation brings authorities and public together, which improves representative decision-making. Customers should be partners instead of subjects. (Lumijärvi, Jylhäsaari 1999:110-112)

### 5.4 Balanced Scorecard

The Balanced Scorecard (BSC) is a tool for strategic management developed by Robert S. Kaplan and David P. Norton. Companies have always measured their success by the financial profits. Kaplan and Norton criticize the financial way of measuring and managing organizations. They think that practices and schedules have always been subordinates of monthly and quarterly presented financial reports. The main idea is that in today's changing competitive environment it is not enough to just look at the financial data. There should be more views to measure success. (Määttä, Ojala 2001: 22)

The Balanced Scorecard is a multidimensional measuring system built up from four different perspectives: Financial, customers, processes and development. All these perspectives should be connected to the company strategy and vision.

- Financial perspective; how do we generate a financial result that will enable the company to survive and develop?
- Customers; how do we satisfy the needs and requirements of the customers so that we reach our vision?
- Processes; which process we need do best in order to satisfy our customers and shareholders?
- Development; how do we maintain our capability to change and develop in order to reach our vision?

Company strategy and vision have diversified the contents of BSC. Goals and indicators are not built for temporary or special occasions, but in direct connection with company strategy and vision. For this reason, it is important to recognize processes that lead the implementation of the strategy. The starting point for BSC implementation is to change vision and strategy into concrete goals and indicators. The strategic management system consists in four different processes:

### **1. Clarification of Vision and Strategy**

Clarification of vision and strategy helps the management in specifying their views to achieve common understanding and commitment. The vision needs to be modified into concrete and understandable concepts, because it is easier to commit in clear goals than distant and intangible ambitions.

### **2. Informing about Strategic Goals**

Strategic goals of BSC are to be informed to everyone in the organization. This can be done e.g. through newsletters, bulletin board or e-mail. In order to achieve strategic goals, every employee needs to understand the goals and connect his/her work into the strategy. Individual commitment is crucial for the success of the process. This is why many of the companies use BSC as the base of merit pay system.

### **3. Planning, Setting Goals and Directing the Strategic Initiatives**

According to Kaplan and Norton, BSC offers the best benefits when it is utilized in a change process. It gives bases for strategic planning and annual budgeting process, which enables short-term as well as long-term sight for the integration of functional and financial objectives.

### **4. Emphasizing Strategic Feedback and Learning**

BSC as such is a follow-up and reporting system that enables the evaluating of strategy implementation, strategy up-dating and learning. This is the most

innovative part of the entire BSC process. When going through the strategy implementation, it is important to ask the following questions: Are all the perceptions that were set for the strategy still current and valid? Do they need modifying and re-directing? Will the strategy still be usable in regard to customers, internal processes, structure, innovativeness, systems and procedures?

Even though it is necessary to ask these questions, it is good to remember that BSC is more of a mechanism for strategy implementation, and not so much a tool for preparing. In other words, company management defines the vision and strategy and BSC diverts them into measurable goals.

(Määttä, Ojala 2001: 22-26)

## 5.5 Balanced Scorecard for the Public Sector

The Balanced Scorecard designed for the public sector can sometimes be called “balanced success strategy”. Its main point is the understanding of strategic management as an insight to the future. It emphasizes functioning from the public organizations and their environments’ point of view. BSC for public sector differs from the original model by its strategy frame. Strategy process should begin with renewing the vision and business plan by using the following point of views:

- Political decision-maker (citizen or customer)
- Resources
- Organizational performance (processes and structures)
- Work community / personnel (renewing and working ability)

The core of strategic success, critical success factors, evaluation criteria and goal levels are then captured into all of the viewpoints. Goals that are attached to the criteria show the realization of the strategy.

(Määttä, Ojala 2001: 50-54)

The balanced scorecard differs from other systems by focusing on cause and effect. Many organizations measure financial and non-financial performance on periodical bases, but it does not provide them a guide for learning or executing their strategy.

Paul R. Niven says: “ *The true value of performance measures is derived from examining the results in light of the assumptions you make about the relationships among the indicators.*” (2003: 36)



The following chart illustrates the basis of the BSC strategy process:

*Table 2: Balanced Scorecard Strategy Process*

<b>Aspect</b>	<b>Balanced Scorecard (company)</b>	<b>Balanced Scorecard (public sector)</b>
<b>Management assignment</b>	Strategic indicators, measuring implementation of strategy	Creating strategy and evaluation criteria
<b>Starting Point</b>	Vision Strategy	Strategy ground: vision and business idea strategic responsibilities
<b>Perspectives</b>	Financial profit (owner) Customer Processes Learning	Potency (social and customer) Resources and Finance Processes and Structures Regeneration and working ability
<b>Critical success factors</b>	Composition has not been systemized	Composition by result matrix working
<b>Indicators</b>	Profit indicators	Success criteria
<b>Setting goals</b>	Not systemized One goal level / indicator	Turning points of success: Three goal levels / criterion
<b>Balance</b>	Indicator vs. indicator	Strategic responsibilities vs. critical success factors Impact vs. other perspectives Overall strategy vs. unit strategies
<b>Operation</b>	Business plan Supervisor-subordinate conversations Annual report Payroll system	Budget Operation and finance plan Result guidance Profit and development discussions Profit and development discussion Annual report

## 5.6 Practical Examples

In the beginning of the 1990's Finland launched a national quality strategy for the public services. As a result of this wide-ranging project, four publications and a final report were developed. All of the main guidelines were related to ISO 8402. Additionally, quality guideline for social services and health care were published. Quality Management in Social Welfare and Health Care, which included three main principles:

- 1) Quality controlling should be all in a day's work
- 2) Quality controlling should be customer oriented
- 3) Quality should be controlled through information

The development of quality thinking and appliance was studied in 1996 by sending inquiries to different civil service departments and institutes. According to the research results, approximately 90 percent of the public departments use some type of quality measurement or development method. The most measured target is lead-time, which is followed by 67 percent of the departments. Almost 50 percent measure customer satisfaction either periodically or by one-time measurements. Customer satisfaction has been studied in the Finnish public sector organizations already from the 1980's, but back then it was not perceived as part of quality management. A third of the departments uses external evaluations or self-evaluations and 19 percent follows process quality. The quality reward frame as well as ISO 9000 frame has been used by 8 percent of the departments. ISO system, however, is still relatively unfamiliar as a development tool for many of the public departments.

As mentioned earlier, Finnish municipalities / counties have measured customer satisfaction from the beginning of 1980's. The studies have been made for the whole county sector or all the service sectors. Counties have also made own inquiries or internal evaluations on quality. Although many counties have measured customer satisfaction for many years, the measuring has rarely been systematic or recurrent. (Lumijärvi, Jylhäsaari 2000: 118- 123)

The biggest problem is that many of the public as well as private company managers do not see quality controlling as a long-term project. They lack to notice its connection to the profit and rather see it as a temporary system that does not need any contribution after the implementation phase. Sometimes public sector departments have gone through the planning stage of quality controlling and made decisions to use it, but then never actually implemented the process. However, there are pioneers of quality controlling in the public sector that have followed quality effectively and gained great benefits of doing it. Some of them are represented in the following paragraphs.

## 5.6.1 Department of Treasury

In 1997 the Finnish department of treasury started up a development project for ministry management. After joining the EU, different guidance and budgeting system changes and a work atmosphere research drove the Finnish government to think how the challenges of 21<sup>st</sup> century are to be faced. Because, the Department of Treasury's operational environment was expanding, and the role, duties and organizational skills in the shifting sand, it started renewing of its strategic base.

The Department of Treasury's areas of strategic management include five different levels: external, council of state, sub-administration, ministry and shareholder guidance. The first one covers integration processes of EU, Euro, Russia / neighboring area and global field. Council of state-level includes Economy-, tax-, financial markets-, personnel and administration policies. Administration-level handles profit supervision and ministry-level the management of authority organization. Shareholder guidance concentrates on state-owned-companies, banks, industry- and service companies and real estate companies. These five areas define the base of strategy and critical success factors that build up the entire strategy.

In 1998, after several conversations and meetings with almost 200 administrative people, the balanced success strategy was ready. New vision was to secure financial ground and freedom of choice to the future generations. Operational idea was stated as follows:

*Department of Treasury, as part of the Council of State, financial reconciliatory and supervisor of administrative field, is responsible for:*

- Balanced and sustainable growth of economic policy
- Good care of state finances
- Successful public governance
- And national and international co-operation that these factors require

Strategy for years 1999-2002 was made according to the frame of balanced success strategy (another name of the public sector scorecard). The four dimensions of the strategy can be seen in the table of the next page.

*Table 3: Finnish Department of Treasury's Four Dimensions of Strategy*

<b>PROCESSES / STRUCTURES</b>	<b>POTENCY</b>	<b>RESOURCE CONTROLLING</b>	<b>REGENERATION AND WORKING ABILITY</b>
Frame and budgeting process	Growth and stability	Set goals for each department	Personnel management
ECOFIN and council of budgeting process	Financial latitude	Control of assets	Internal co-operation
Preparing of economic policy in EURO environment	Reducing of taxation	Controlling of loan portfolio	External co-operation
Guidance of government community	Competitiveness and service capability of public operations	Controlling of coffer	Structure and skills of personnel
Renewal of organizational structure			Internationalization

(Määttä, Ojala 2001: 87-92)

## 5.6.2 Strategy Process of Hausjärvi

Municipality of Hausjärvi developed its strategy base on *the vision 2001*. It included the same four dimensions as the strategy of Department of Treasury's. All these dimensions were connected to Hausjärvi's vision. The target was that all the different administrations of the municipality develop a strategy for the years 1999-2001. Starting from the strategic base, administrations defined and chose facts and critical success factors that were to be successful in regard to the vision. The strategic work formed the main foundation of the budget and budget plan proposals. All the strategic stresses were to be seen in the proposals and they needed to be tightly connected to the vision and strategy.

The responsibility of the board, manager of the authority and personnel, was to prepare authority-specific strategies. The board confirmed the budget and strategy to ensure the success and the commitment of personnel widely connected to the project. (Määttä, Ojala 2001: 92-96)

Hausjärvi has succeeded well with quality controlling; balanced success strategy has worked effectively. The municipality has been devoted to effectively instruct its personnel to support the process. It has provided training and encouraged all the employees to think economically and commit to the common goals. In my opinion this is the key factor to the success; all the employees should feel that their input counts and that goals can only be

reached if each one of them give their contribution. My thoughts about Hausjärvi are not only based on the literature but also on my own knowledge of the municipality's quality controlling processes. (Hausjärvi is one of the public sector customers of my current employer, the research company Innolink Research Ltd.)

### 5.6.3. BSC Implementation of Helsinki Central Hospital Internal Disease Clinic

The internal disease clinic in Helsinki Central Hospital implemented a BSC system in order to work their vision into concrete and versatile goals. The vision included altogether seven different segments:

- Good quality of services, availability and cost-effective execution
- Well-functioning patient referral
- Well-functioning co-operation with health centers
- Well-functioning management system
- Integrated organization
- Leading research and training expert
- Motivated and skilled personnel

First experiences of the implementation were both positive and negative. Organizing follow-up was at first problematic and fulfilling vision and different cards (of the BSC system) sometimes tough. In addition, putting different strategies together between different organizational levels required extended work. Lack of time was one of the most difficult problems. Some of the positive experiences were stated as follows:

- Vision and values interlinked to the strategy process
- Things that were difficult to measure are now discussed in strategy meetings (personnel's expertise, development, work capability, cooperation processes etc.)
- The system taught the personnel to better work together and discuss about different things
- Common project brought up different problems that were not discussed before
- Process went on logically
- Budget was now easier to make and connect to profitability

According to the users, BSC supports, fulfills and further develops the existing management system. Many of the users noticed how demanding it is to observe results and profitability in a public organization. Now the question is how to intensify all the learned things so that the process would ensure the balanced success through out the organization.(Määttä, Ojala 2001: 101-104)

## 6. Defining of the Research Problem

The main idea of this thesis was to find new potential public sector customers for the research company, Innolink Research Ltd. To be able to know where the need for the company's services is, all the Finnish municipalities were invited to the survey conducted by e-mail.

The purpose was to find out in which ways the Finnish municipalities control the quality of their services. What techniques are used? By what resources? How often the quality follow-ups are conducted? What problems or barriers are faced? What kind of demands the municipalities have in regard to quality controlling today and in the future?

By getting an answer to these questions, Innolink Research Ltd. is able to find and contact the potential customers easily and cost-effectively.

The theoretic part of the thesis was collected from the topic-related literature and used to provide background information and support for the actual research.

Keywords: Public Services, Customer Service, Quality Controlling, Quality Management in the Public Sector, Total Quality Management.

## 7. Research Methods

### 7.1 Quantitative Research Approach: Survey

*“A survey design provides a quantitative or numeric description of trends, attitudes, or opinions of a population by studying a sample of that population. From sample results, the researcher generalizes or makes claims about the population.”*

(John W. Creswell 2003: 153)

Surveys allow gathering of extensive research material. There can be a great number of respondents and various things can be asked at the same time. Surveys are cost-effective and time saving. If the questionnaire is well designed the data can be easily stored and analyzed. Statistical analysis and reporting methods are already developed for this type of data collection, so the researcher does not need to design them him/herself. In addition, the research schedule and expenses can be estimated quite exactly.

After so many good things, surveys have disadvantages too. It is impossible to know how seriously the respondents have taken the survey or how familiar they are with the research subject. Another thing not known is if they have tried to answer the questions as honestly and thoroughly as they can or have the answering alternatives been understandable to them. Sometimes a low response rate can be a problem too. (Hirsijärvi et al 1997: 182-184)

## 7.2 Implementation

The research was conducted in a form of an e-mail survey. The questionnaire was sent to 756 policy-makers working at municipal administrations (Directors or/and Administrative Managers of municipalities). The target group consisted of all the 444 municipalities in Finland, from where we received altogether 142 responses. The response rate is thus 30 (%) when considering how many of the municipalities responded but 19 (%) when observing by person. Responding was encouraged with additional reminder e-mail.

Respondents received the e-mail with an invitation to the research and link to the web-questionnaire. After the research reporting was finished, the respondents received user-ids and passwords so they could view the results in Innolink Web (Innolink's web-based feedback and analysis system). In the near future, some of the results will also be published in the public newsletter, *Kuntalehti*.

The questionnaire was designed of structured as well as open questions, together with Innolink employees who participated in the public sector project. The purpose of the structured questions was to get information that can be quantified fast and easily. Open questions on the other hand, gave deeper insight about respondents' conceptions of quality controlling and supported the observation of the quantifiable data.

Many background questions were not asked, in order to keep the respondents unidentifiable. This is, because the respondents had a chance to view the results and it would not have been polite or appropriate if they could have recognized each other's answers. What we did, instead, was that we directly encoded some information as the population scale and providence to the database that we could use as variables. We promised not to reveal any information on the respondents, so we are not able to tell any descriptive information, such as title, exact population or the municipality in question.

## 8. Research Results

### 8.1 Description of the Research Material

The research material is presented in percentage in order to illustrate the overall picture of the respondents.

The following table represents the size of the responding municipality. Most of the respondents (41,8 %) come from small towns such as Kemiö, Lumijoki, Vesanto, Suodenniemi, Rautavaara etc. Only 4,3 percent come from cities of more than 50 000 inhabitants. Middle-sized cities together represent the major group of the respondents.

*Table 4: Number of Inhabitants*

<b>NUMBER OF INHABITANTS</b>	<b>OF ALL RESPONDENTS %</b>
Less than 5000	41,8
5001 - 10 000	26,2
10 001 - 50 000	27,7
More than 50 000	4,3

Table 5 tells to which province respondent municipalities belong to and Table 6 shows the county.

*Table 5: Province*

<b>PROVINCE</b>	<b>OF ALL RESPONDENTS (%)</b>	<b>OF ALL RESPONDENTS (N)</b>
East Finland (Itä-Suomen lääni)	11,3	16
Oulu (Oulun lääni)	8,5	12
Lapland (Lapin lääni)	3,5	5
Åland (Ahvenanmaa)	4,9	7
South Finland (Etelä-Suomen lääni)	23,9	34
West Finland (Länsi-Suomen lääni)	47,2	67



*Table 6: County*

COUNTY	OF ALL	OF ALL
	RESPONDENTS	RESPONDENTS
	%	N
Kainuu	1,4	2
Kanta-Häme	4,3	6
Keski-Pohjanmaa	3,5	5
Keski-Suomi	5,7	8
Kymenlaakso	4,3	6
Lappi	3,5	5
Pirkanmaa	8,5	12
Pohjanmaa	5,7	8
Pohjois-Karjala	2,8	4
Pohjois-Pohjanmaa	7,1	10
Pohjois-Savo	5,0	7
Päijät-Häme	3,5	5
Satakunta	5,7	8
Uusimaa	5,7	8
Varsinais-Suomi	11,3	16
Ahvenanmaa	5,0	7
Etelä-Karjala	2,8	4
Etelä-Pohjanmaa	7,1	10
Etelä-Savo	3,5	5
Itä-Uusimaa	3,5	5

## 8.2 Quality Controlling in Municipality's Goals and Strategy

We asked the respondents if quality controlling was part of their municipality's goals and strategy. Altogether 57 % of them answered yes, 40 % said no and 3 % did not know (Figure 1 and 2 on the page 34). Table 7 demonstrates, service by service, how common quality controlling is in Finnish municipalities. It shows whether quality controlling is in use, planned to be used or not in use and who handles the quality control processes.

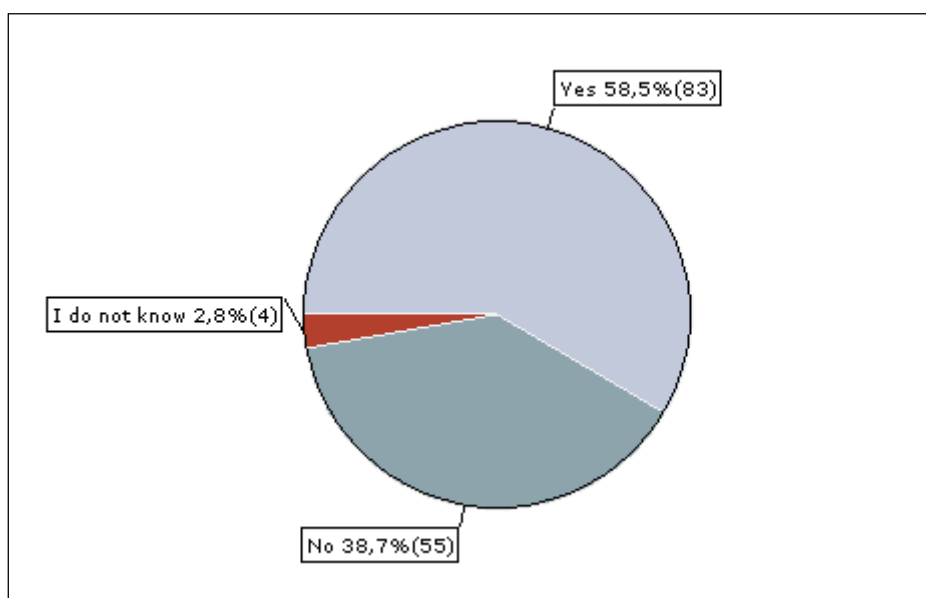
*Table 7: Service-Specific Quality Controlling*

MUNICIPAL SERVICES	Does your municipality have a quality controlling system for the following services?			Who is responsible for the implementation?	
	YES %	IN PLANNING PHASE %	NO %	MUNICIPAL ITSELF %	EXTERNAL EXPERT %
<b>Administration Services</b>					
Telephone exchange	11,1	<b>19,3</b>	<b>69,6</b>	77,3	22,7
Customer service counter	11,4	16,7	<b>72,0</b>	<b>89,1</b>	10,9
<b>Technical Services</b>					
Land use planning	22,1	13,7	64,1	72,0	28,0
Public transport	16,4	10,2	<b>73,4</b>	55,0	<b>45,0</b>
Environmental care (parks and public areas)	21,5	15,4	63,1	72,5	27,5
Street care	28,9	14,1	57,0	71,9	28,1
Sewerage services	28,1	11,7	60,2	60,4	39,6
Supervision of building	22,0	14,2	63,8	77,1	22,9
Environmental care (sanitary inspection / environmental protection)	20,3	11,7	68,0	70,7	29,3
<b>Health Services</b>					
Health centre	<b>48,7</b>	13,7	37,6	59,5	<b>40,5</b>
Dental care	44,0	12,0	44,0	55,2	<b>44,8</b>
<b>Cultural Services</b>					
Preschool and elementary school education	<b>48,8</b>	13,2	38,0	<b>86,1</b>	13,9
High school education	43,4	13,9	42,7	80,0	20,0
Library services	40,2	15,0	44,9	<b>83,8</b>	16,2
Cultural services	20,5	13,4	66,1	76,6	23,4
Physical services	22,7	13,3	64,1	80,8	19,2
Youth services	23,8	17,5	58,7	76,9	23,1
<b>Social Services</b>					
Day care	<b>53,5</b>	14,7	31,8	82,9	17,1
Geriatric services	41,7	<b>22,8</b>	35,4	77,9	22,1
Welfare for disabled	27,8	<b>23,0</b>	49,2	70,3	29,7
Social work and psychologist services	23,0	16,4	60,7	67,8	32,2

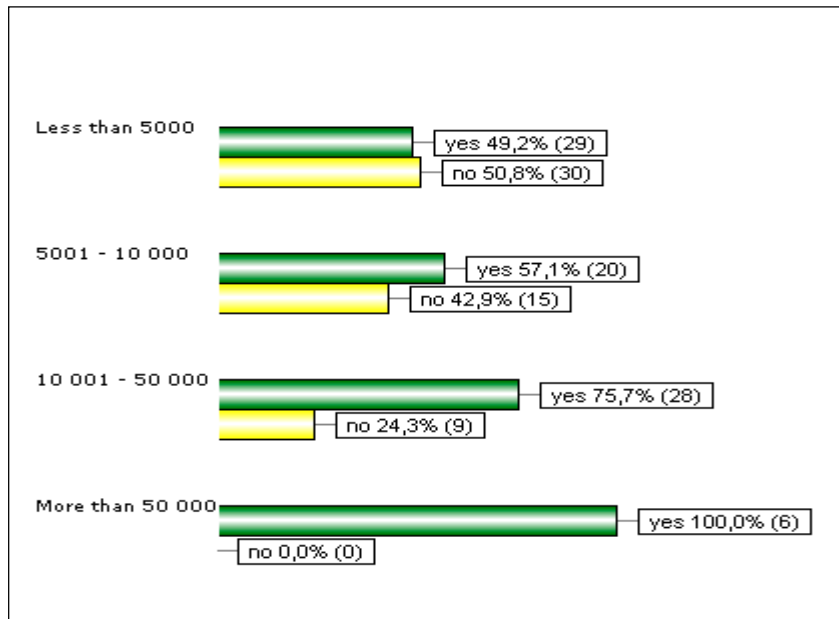
According to the research, the quality of day care, health care and education are the most controlled among the municipalities. The least followed services are telephone exchange, customer service counter and public transport. However, it is important to notice that a great number of the respondent municipalities are small, and probably do not have such services as public transportation at all.

The quality of customer service counter, education and library services are most commonly followed up through the municipalities' own resources. In other words, they make their own surveys and measurements to ensure the quality of services. By contrast, quality controlling of public transport and health services are mostly outsourced.

It is interesting to notice that quality controlling of social services (here geriatric services and welfare for disabled) are in the planning phase with the highest percentage of all the services. I think it is because, external forces drive municipalities to strengthen these services particularly. According to the research, quality control of health care services is currently one of the most controlled services. This probably stems from the knowledge of upcoming regulations and ordered work methods. For example, 28<sup>th</sup> of February 2005, a law called Guarantee of medical treatment (hoitotakuu) came into force in Finland. This means that all the patients must be guaranteed treatment in certain amount of time. In this kind of situation, when waiting lines are not allowed and rush might decrease the quality of treatments, it is important to begin controlling quality. Municipalities produce most of the health services so they have to prepare to rise the challenges that come along with new laws / regulations and other facts that might effect quality.

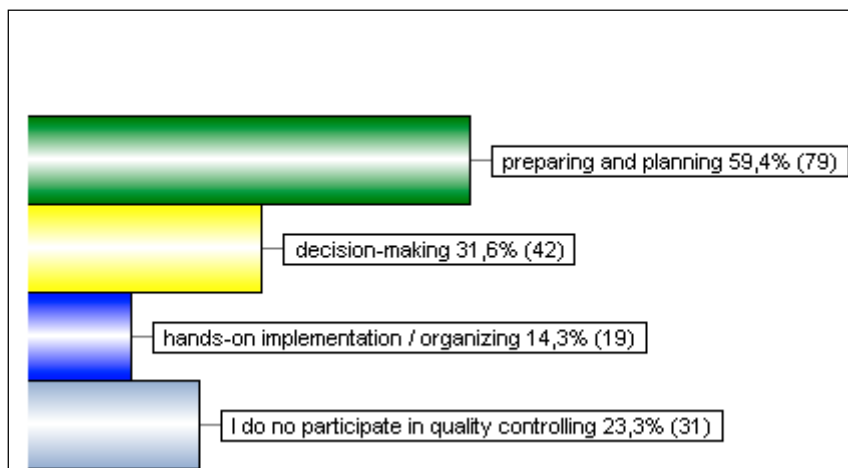


*Figure 1: Quality controlling in municipality's goals and strategy*



*Figure 2. Quality controlling in municipality's goals and strategy Classified by Number of inhabitants*

### 8.3 Respondent's own Contribution in Quality Controlling



*Figure 3. Do you personally participate in some of the following quality controlling activities?*

The respondents were asked in which way do they participate in their municipality's quality work. 59 percent of the respondents stated that they participate in quality controlling by preparing or planning. 32 percent make decisions and 14 work in practical implementation. 23 percent do not personally participate in quality controlling at all.

**(Respondents had a chance to choose multiple options)**

Respondents from the Providence of Oulu participate most in preparing and planning (82 %), whereas majority of the respondents from the Providence of Itä-Suomi operate in decision-making (40 %). Participation in quality controlling in other areas divides as follows:

*Respondents from Province of Lapland:*

Preparing and planning	80 %
Decision-making	20 %
Hands-on implementation / organizing	20 %
Do not participate	20 %

*Respondents from Province of Oulu:*

Decision-making	18 %
Hands-on implementation / organizing	27 %
Do not participate	9 %

*Respondents from Province of East Finland*

Preparing and planning	47 %
Hands-on implementation / organizing	13 %
Do not participate	20 %

*Respondents from Province of West Finland*

Preparing and planning	60 %
Decision-making	34 %
Hands-on implementation / organizing	12 %
Do not participate	25 %

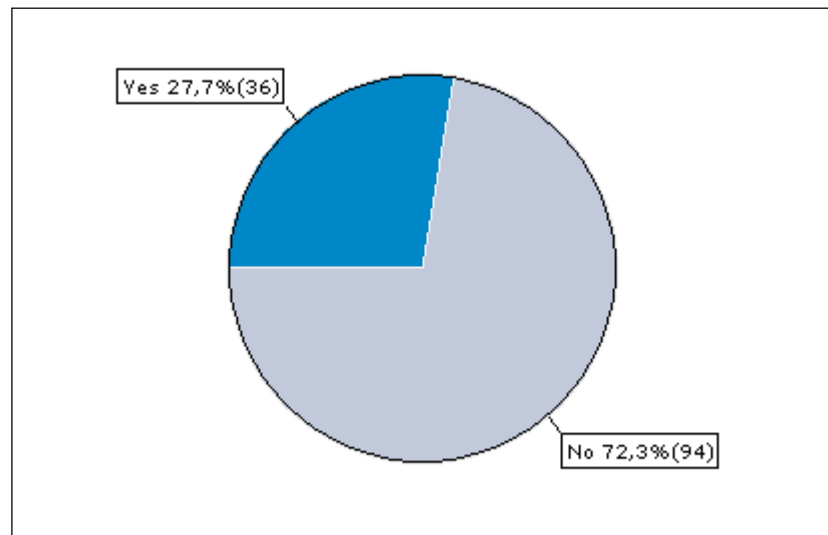
*Respondents from Province of South Finland*

Preparing and planning	58 %
Decision-making	32 %
Hands-on implementation / organizing	16 %
Do not participate	23 %

*Respondents from Province of Åland Islands*

Preparing and planning	40 %
Decision-making	0 %
Hands-on implementation / organizing	0 %
Do not participate	60 %

## 8.4 Success of Quality Measuring



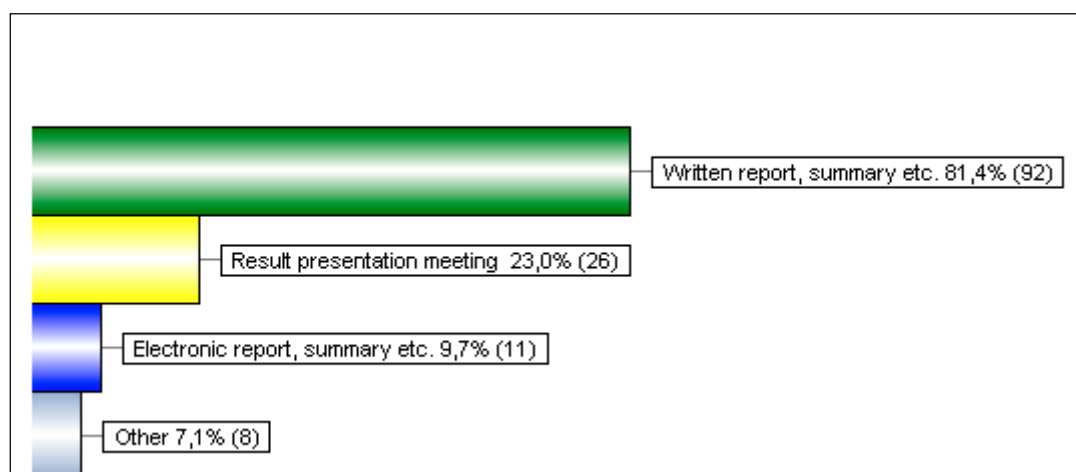
*Figure 4. Do you think the measuring of quality is beneficial and functions well?*

Most of the respondents have some type of quality measuring system, but only 28 % are satisfied with it. The majority of the unsatisfied respondents feels that the system should be more wide-ranging and cover all the sectors of municipal services. In most of the cases it only covers health care or another separate service sector and measuring is general instead of detailed and systematic. Respondents also stated that measuring tools should be easier to use and auditing and management's approach more consistent.

Some of the respondents think that gathering customer feedback is laborious along with analyzing and reporting weak. This usually occurs from lack of resources and time. Other reasons are organizational structure and number of departments. Information does not flow between different parties and measuring is not cohesive. Additionally, quality measurements and follow-ups are not made often enough.

Respondents who are satisfied with their municipality's quality controlling methods feel that their operations consists in expertise of personnel and integrated measuring of quality. Usually the implementation of municipal goals is also tightly connected to the follow-up system. Some of the respondents that come from small towns say that their greatest advantage is the size. Information flows fast and directly from person to another and people do not hesitate to give feedback. Co-operation is also said to be tighter and more intensive in smaller municipalities. People feel good doing teamwork when everyone participates in the projects.

## 8.5 Result Reporting



*Figure 5. How are the results of quality measuring reported?*

Result reporting seemed to be very similar in all the municipalities regardless of the size or number of inhabitants. The written report (81 %) was stated the most common way of reporting. Second was result presentation at meetings, (23%) and third electronic reporting (9,7%). Other methods mentioned were face to face reporting, reporting at council meetings / work meetings or in annual report.

By number of inhabitants the percentages fell as follows:

*Inhabitants less than 5000:*

Written report, summary etc.	79 %
Result presentation meetings	19 %
Electronic report, summary etc.	14 %
Other	12 %

*Inhabitants 5001 - 10 000:*

Written report, summary etc.	79 %
Result presentation meetings	25 %
Electronic report, summary etc.	7 %
Other	7 %

*Inhabitants 10 001 - 50 000:*

Written report, summary etc.	83 %
Result presentation meetings	26 %
Electronic report, summary etc.	9 %
Other	3 %

<i>Inhabitants more than 50 000:</i>	
Written report, summary etc.	100 %
Result presentation meetings	17 %
Electronic report, summary etc.	0 %
Other	0 %

**(Respondents had a chance to choose multiple options)**

According to the research results, reporting is not very extensive in general. Especially in small municipalities results are usually reported only among the quality board and department managers. Instead, in larger cities, reporting can be directed to the entire personnel. Most common focus groups of reporting are boards, city government, city council, and municipal managers.

## 8.6 Studying the Results by Means of Gap Analysis

By means of the Gap Analysis, it is possible to study various criteria influencing satisfaction.

In the Gap Analysis the green bar (long bar heading to the right) indicates the importance of the criterion to the respondent. Should the green bar be high, the criterion in question is of great importance to the respondent. In case the bar is low, the criterion in question is not very significant from the respondent's point of view. The shorter red bar indicates the difference between success and importance. If the red bar is negative, the success is estimated weaker than the importance. If it's positive (heading to the right) the success is estimated higher than the importance.

*The factor is considered a success factor, if the negative gap is less than 0,6. A factor that can still be improved has a negative gap between 0,6 – 0,9. The factor is considered critical factor, if the negative gap is 1,0 or more.*

It is of great importance to react to the factors, which are of high importance and which have a relatively large negative gap.



## 8.7 Criteria-Based Evaluation of Quality Controlling

Respondents were asked to evaluate the current quality controlling system of their municipality. The results are presented in the form of gap analysis (pg. 41-42). The criteria that is included in the last section, *Services*, covers only those respondents' experiences who have experiences on *external quality measuring experts*.

The most important factors of the quality measuring activities, for which the respondents set the greatest expectations, are:

- Barometers are understandable
- Barometers are created based on the municipality's goals and strategy
- Reporting is clear and understandable
- Reporting gives direction for practical development activities
- Reporting is fast, even real-time if needed

Respondents give highest grades for the following factors, (gap under 0,6)

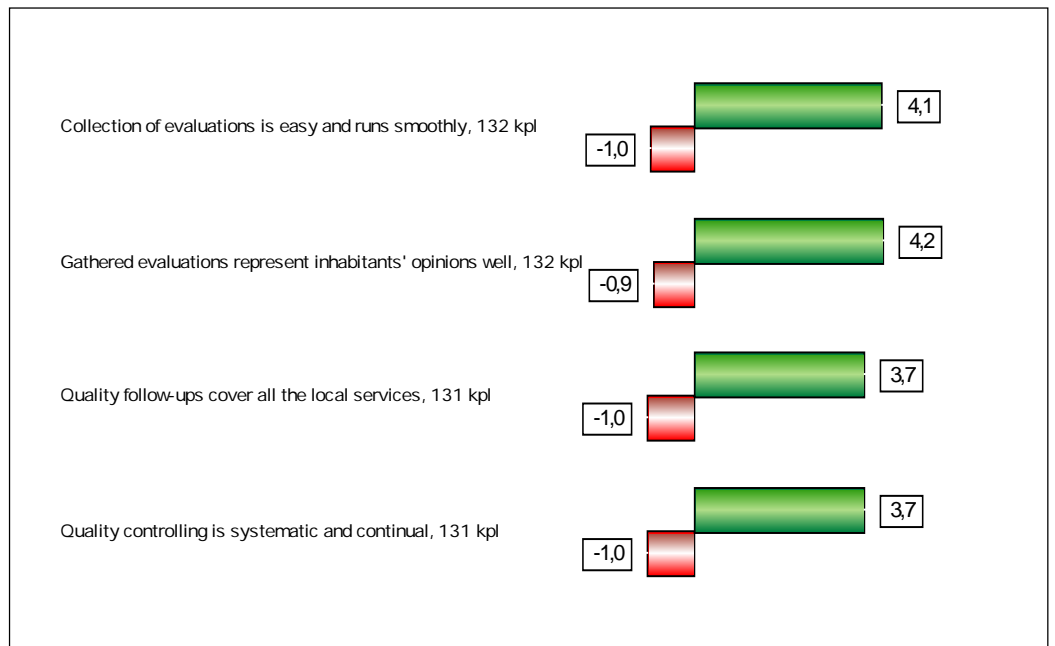
- Service provider has versatile experience in quality controlling (external professional)
- Service provider uses diverse data collection methods (external professional)

The most critical factors that the respondents are most unsatisfied with (gap under -1,0) are:

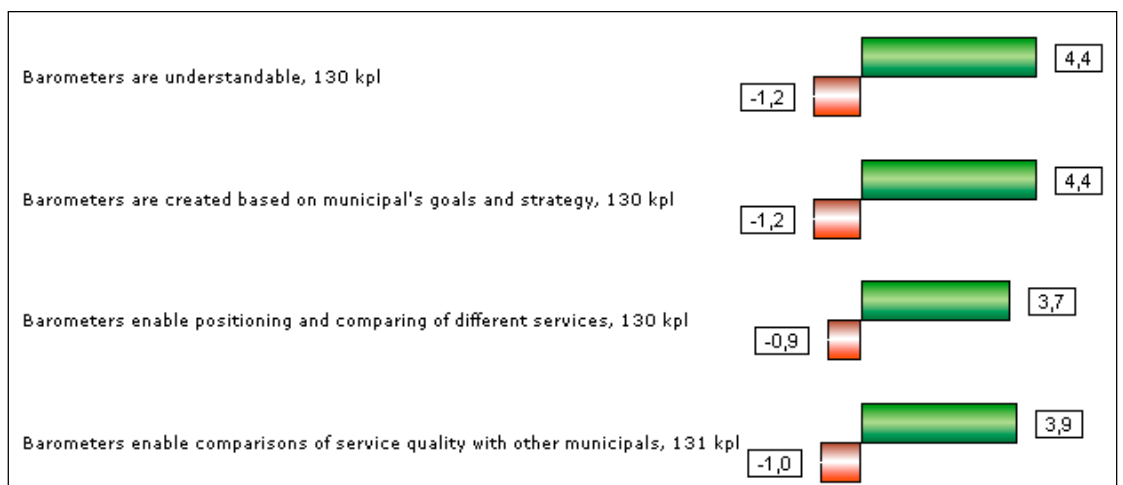
- Collection of evaluations is easy and runs smoothly
- Quality follow-ups cover all the local services
- Quality controlling is systematic and continual
- Result reporting is clear and understandable
- Reporting gives direction for practical development activities
- Reporting is fast, even real-time if needed
- Reporting can be customized according to municipality's needs
- Barometers are understandable
- Barometers are created based on the municipality's goals and strategy
- Barometers enable comparisons of service quality with other municipalities

Factors still to be improved (gap 0,6 – 0,9) are:

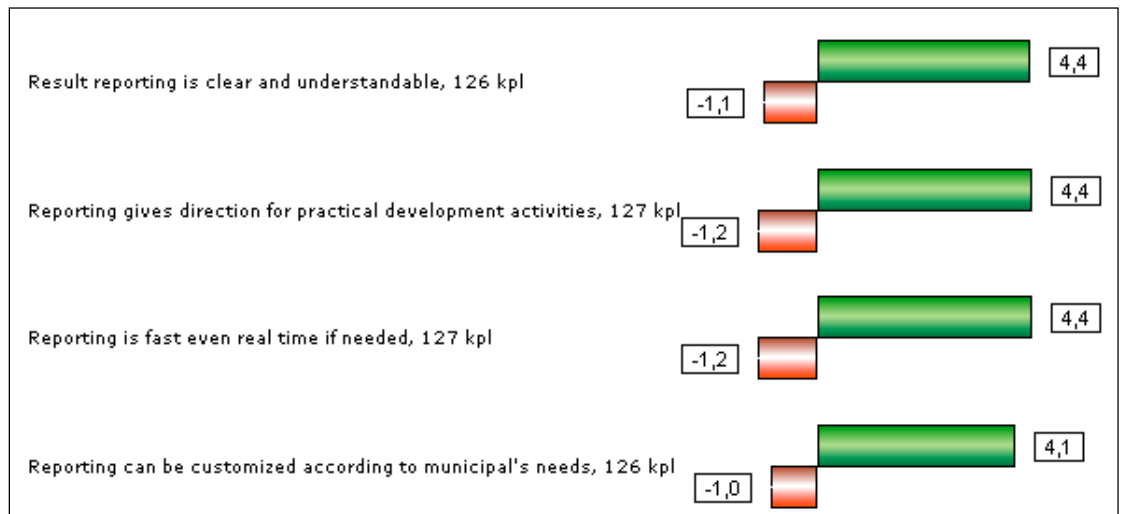
- Gathered evaluations represent inhabitants' opinions well
- Barometers enable positioning and comparing of different services
- Personnel is service-oriented and flexible (external professional)
- Personnel is competent (external professional)



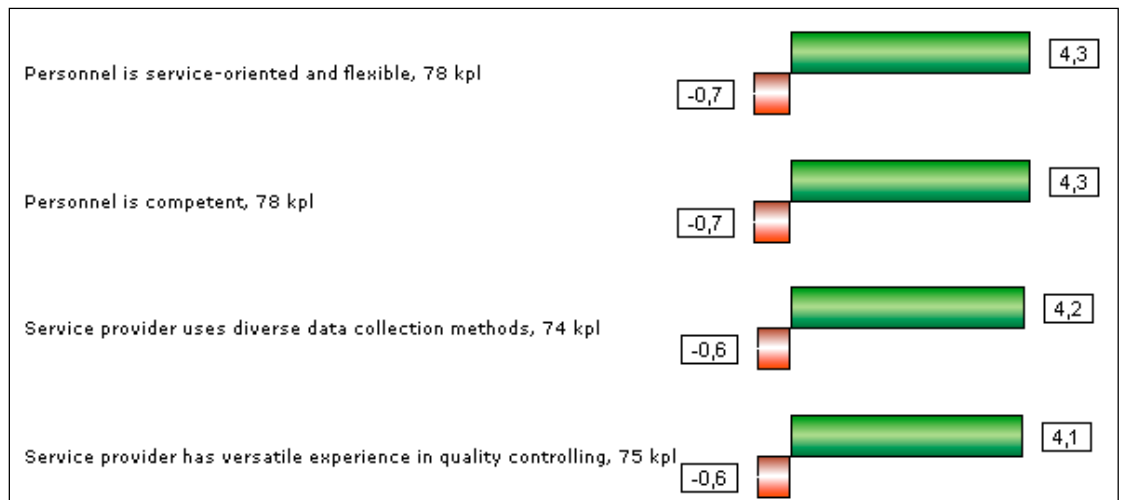
*Figure 6. Quality controlling in general*



*Figure 7. Barometers*

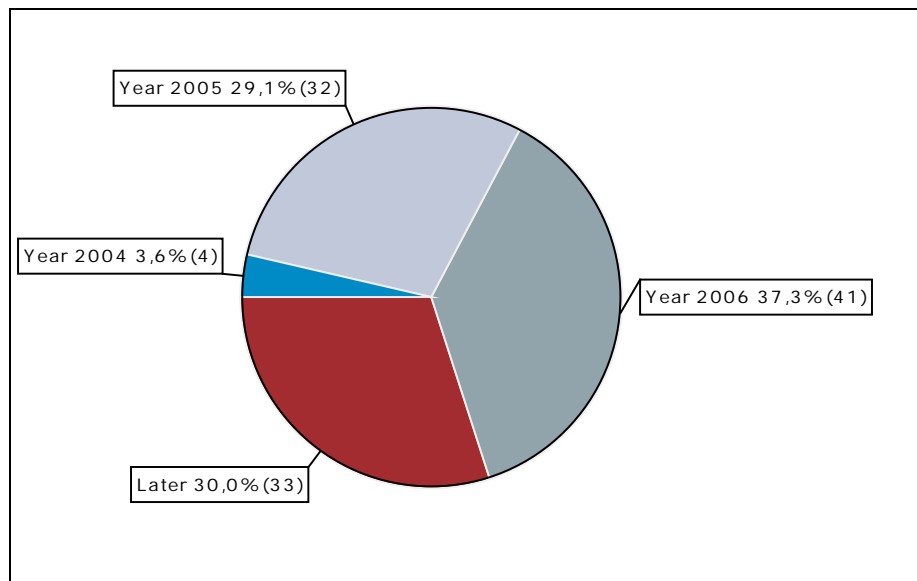


**Figure 8. Reporting**



**Figure 9. Service**

## 8.7 Quality Controlling in the Future



*Figure 10. When does your municipality plan to start quality controlling?*

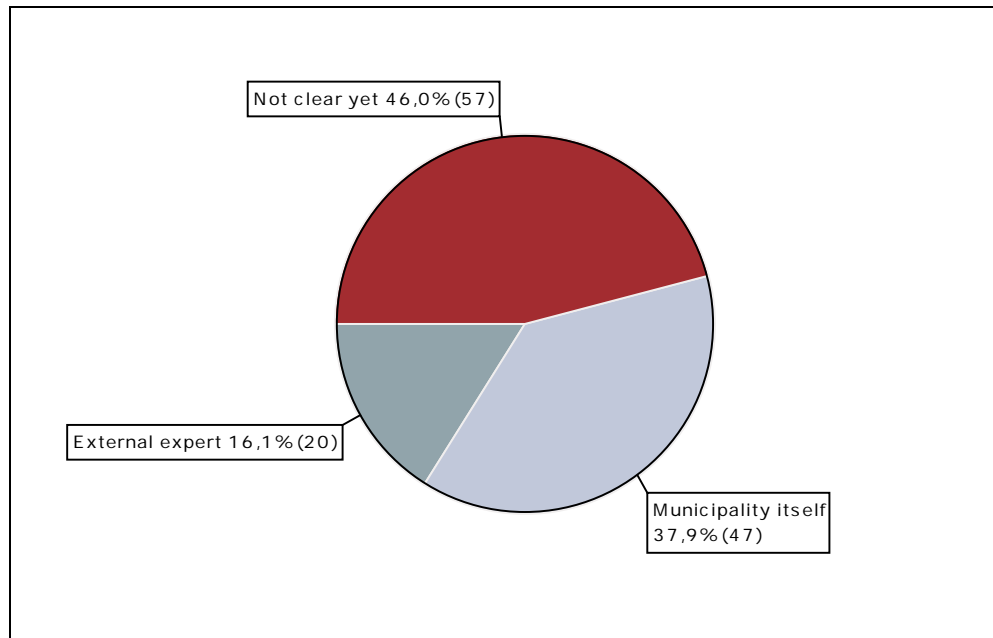
The majority (37%) of the respondents are planning to implement a quality-controlling project next year (2006). 29 percent are realizing the controlling already this year and 3,6 percent stated that the quality-controlling project was already carried out during the year 2004. The second highest percentage of the respondents (30%) does not know when quality measuring is going to take place.

Planning of quality controlling has not been at hand in 30 of the respondent municipalities. Reasons are stated clear.

- Lack of resources and time
- Quality-controlling is targeted only to certain activities and not to the whole system
- Quality system is not considered important
- Other things are more urgent
- Not topical yet
- Different departments follow their own field

The municipalities are at so many different levels in quality controlling, because of their difference in size, resources, management approach and priorities. The systems designed for quality measuring should also be diverse

in order to meet variety of needs. Smaller cities, for example, do not need massive controlling systems as bigger ones. Usually this is known and the ideal of quality controlling is well understood, but somehow it seems to be hard to turn it into practice.



*Figure 11. Who is going to conduct the quality control / follow-up?*

46 percent of the respondents do not know who will be responsible for implementing the up-coming quality control project. 38 percent will use municipality's own resources and only 16 percent will turn to an external expert. This can be considered as predictable result since many of the respondents commented about lack of resources. On the other hand, by using an external expert municipality would save time and resources. This would also reduce expenses in the long run.

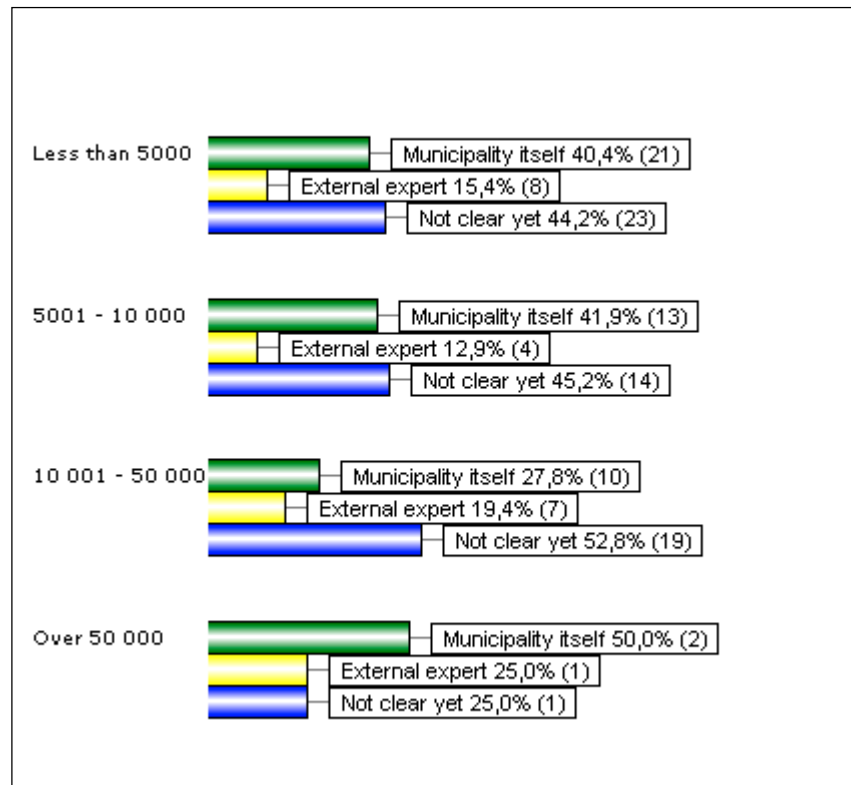
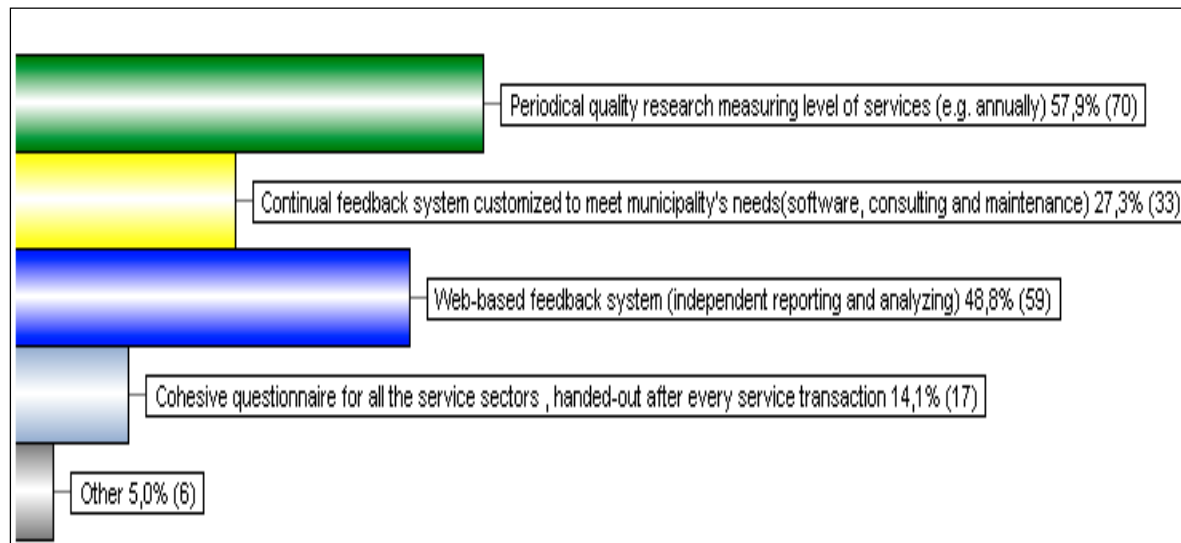


Figure 12. Who is going to conduct the quality control / follow-up classified by the number of inhabitants

## 8.8 Demand for Quality Controlling

The respondents were asked if they felt that more united and extensive quality controlling / follow-up system is needed in their municipalities. 58 percent stated that there is a need for periodical quality research that measures the level of services, 49 percent have a demand for web-based feedback system, 27 percent need a continual feedback system customized to meet municipality's needs (e.g. software consulting and maintenance). 5 percent have a need for other type of systems, such as:

- Meeting dwellers at downtown
- Measuring projects
- Conducting interviews
- Direct feedback channel for the dwellers
- General service-level research conducted during every council period (measuring the performance of council)



*Figure 13 Do you think your municipality has a need for more united and extensive quality controlling / follow-up system?*

## 8.9 Free-Form Feedback

The respondents also gave free-form feedback e.g. about what is best / weakest about quality controlling in their municipality. I have listed the most common statements of the respondents below.

*What is best about quality controlling in your municipality?*

- Customer satisfaction surveys in every customer service unit
- Long experience
- Municipal research four times a year and field-specific feedback collection once a year
- Development studies of center and image research twice a year
- Prioritization (measuring most important functions according to customers and municipality)
- Quality controlling as part of strategic work
- Good feedback system
- Continual measuring

- Systematic analyzing of results gives direction for the municipal strategy
- Expertise of personnel
- Practical and cost-effective measuring methods
- Good interaction
- Wide and continual customer satisfaction measuring and ability to compare the results with other municipalities
- Inhabitant and focus-group-specific conversations (feedback is interactive and free-formed)
- Continual strive to improve the metrics that are based on the strategy

*What should be improved?*

- Moving quality controlling from the strategy papers into practice
- Measuring and controlling should be more regular
- Expanding quality measuring to different sectors
- Contents, organizing, implementation
- Scope of measuring
- Flexibility and options
- Connection to reconstructive activities
- Scope, cohesion, comparability
- Measuring should be more systematic
- Metrics
- Selection of metrics, utilization of results, management



## 9. Conclusions

The purpose of this thesis was to study the present level of quality controlling in Finnish Municipalities. Another purpose was to chart Finnish municipalities' satisfaction and demands in relation to quality controlling and management.

The theoretical part of the thesis covered concept of service, public services, quality and quality management. These were also gone through from the public sector's point of view, as it was the aim of the research.

In order to be more efficient, today's organizations are controlling quality more and more. Good quality improves cost-effectiveness and is one of the most important success factors of businesses. Quality controlling, however, is not easy; it requires planning, investments and most of all commitment in all the organizational levels. It has to be systematic and continual to provide real advantages.

In Finland, quality controlling, especially in the public sector does not yet meet the standard level. Quality measurements are typically detached and unsystematic, because managers do not understand the many-faceted unity that lies behind the concept. In relation to international situation, Finland, however, should have good qualifications to produce qualitative innovations and stay at the top in development. Goals included in the quality strategy of public sector give a great possibility to use quality management more extensively. (Lumijärvi, Jylhänen 1999)

Respondents who answered the municipal research disagree with the statement above. 40 percent of them say that quality controlling has not even been included in their municipality's goals and strategy. This is a high number when the main responsibility of municipalities is to provide and develop basic services to the citizens.

Only 28 % of the respondents are satisfied with their own municipality's quality controlling system. Majority of the unsatisfied respondents feels that the system should be more wide-ranging and cover all the sectors of municipal services. They also state that measuring of quality should be more systematic and the metrics easier to use.

The common problem, according to the research is lack of time and resources. Municipalities' resources are limited and the political nature of operating prevents fast decision-making and project implementation. This as well as majority of the other research results fits to the previous studies and literature. In other words, the research did not reveal any significant differences in relation to the previous studies.

I personally think that municipalities' should outsource at least some of their quality measuring activities. It is not a big investment to use external services considering the amount of work that is included in the measuring process (planning, defining metrics, and gathering data, analyzing, reporting and communicating the results...). Despite of this fact, in the future only 16 percent of the municipalities are going to conduct their measurements by using external resources. 38 percent will carry out the measurements themselves and 46 percent have not solved the issue yet. So this means that in the future altogether 20 of the respondent municipalities will use an external expert, 47 will use own resources and 57 are still unclear how to conduct the project.

However, from the results of the research, it is clear to see that Innolink Research Ltd's overall objective was achieved. Firstly, there is clearly a demand for research services among the contacted municipalities and therefore a lot of potential for the company to expand its markets in the public sector. This emerged for example from the answers to the question:

*Do you think your municipality has a need for more united and extensive quality controlling / follow-up system?*

- 58 % (70) yes, for a periodical quality research, measuring level of services
- 27 % (33) yes, for a continual feedback system customized to meet municipality's needs
- 49 % (59) yes, for a web-based feedback system
- 14 % (17) yes, for a system with cohesive questionnaire for all the service sectors, handed out after every service transaction
- 5 % (6) yes, for some other system

Secondly, Innolink increased its recognition in the target group by conducting the survey, by communicating the results to the respondents and by having the results published in the public newsletter, *Kuntalehti*. The company is now in the phase of contacting the potential municipalities and their different units.

Noteworthy is also that some of the respondents gave us thanks for conducting the research and emphasized how great it is that we highlighted such an important issue that often is not discussed enough.

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