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## **COMMITMENT QUALITY MANAGEMENT**

Moving beyond Management by Objectives, Management by Results,  
Performance Management and Total Quality Management

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## Summary

A closer linkage between the budget (resource allocation) and performance is a development in many countries. The main aim is to switch from a system based on inputs, to a system centered also on outputs, where the day-to-day management is left in the hands of autonomous units. That implies more stringent requirements for results and a greater freedom for the units to obtain them. In the Modernization of Management of Local Government, management systems from the Private Sector such as MbO, MbR, Performance Management and TQM have been used.

This paper highlights an innovation in management systems **tailored for the Public Sector** and practised in local governments, ministries, central agencies and central government departments.

I have called this model CQM-Commitment Quality Management - recognizing the need to balance external demands and limited resources, and create a philosophy and culture where achieving customer satisfaction and real results are the commitments for every committee, manager and employee in the Local Government. Contracts or agreements aim to clarify the responsibilities of each party and represent a formal commitment by the parties to what has been agreed. This include a specified type and level of performance, in return for specified funding and the specified level of autonomy and related reporting requirements.

**CQM** consists of

- A. A leadership based on clear specifications of performance (incl. Quality standards) in aims, objectives, goals and targets
- B. Focus on the results for the citizens
- C. Commitments based on participation from every employee in the process
- D. Measurement and evaluation of performance, including service standard quality
- E. A program for continuous improvement of quality and efficiency.

The examples in this paper are from the Swedish local governments of Uddevalla, Lomma, Stockholm and Lund.

## Decentralization and Management Systems

The process of reform in public sector management has highlighted the fundamental dilemma of upholding the government's role as a promoter of change as well as stability and consensus. Creating conditions in the public sector - which promote a culture of continuous improvement, foster innovation and capitalize on individual and team performance - is in itself an ongoing challenge for governments. However, governments are also required to constantly maintain a balance between under and over stimulating change and innovation. The current change from monopolized to pluralistic provision - involving private sector and non-profit agents - must be properly managed to ensure effectiveness and adequate feedback into the policy process. Opportunities to increase flexibility and efficiency must always be weighed against the risks involved in losing political control and responsibility for public sector activities, which must be based on societal consensus.

Lack of confidence is a problem in over-centralized systems. Local government is therefore a key element in the political systems of liberal democracies. It is seen as an

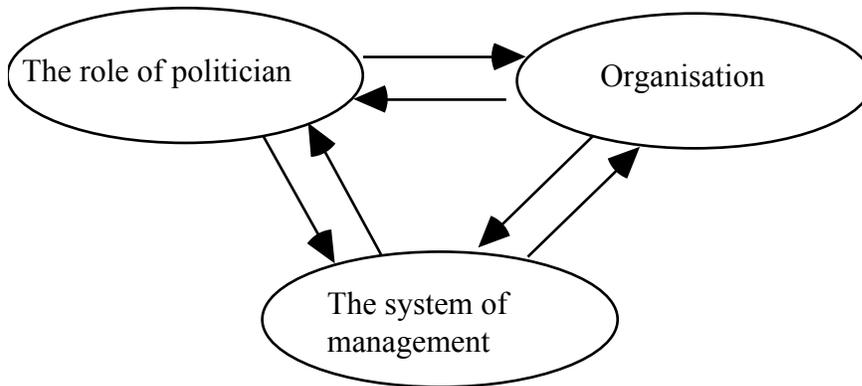
appropriate level for effective government intervention to meet welfare needs and also to stimulate economic efficiency. Local government is central to the establishment and maintenance of a democratic process.

The changing relations between central and other levels of government will be an increasingly important consideration in developing and transitional countries. As a country's income grows, the amount of social services increases. Governments need to do more in those areas where markets alone cannot be relied upon. Above all, this means investing in education, health, nutrition, family planning and poverty alleviation, building social, physical, administrative, regulatory and legal infrastructures of better quality, mobilizing the resources to finance public expenditure and providing a stable macroeconomic foundation. I believe it's important to define these issues as **investments for the future** in a more positive and prospective way.

There are many ways to finance, steer, regulate, structure, organize, manage and operate public sector activities. There is no single reform sequence which will fit all economies. For those seeking to remake their systems, a number of models presented at this GLOBAL FORUM may serve as sources. However, cultural background, resources, traditions and other conditions all have to be taken into account. The system has to suit the country and the situation.

The Copenhagen Declaration and its accompanying Program of Action provide a context and a challenging agenda for public administrators as they seek to play a key role in the implementation of social development objectives. A number of critical issues remain to be examined as regards how to achieve the broad goals agreed by the Summit. One of them - and I believe the most important one - is how change can be managed in a way that empowers people to peak performance. Promoting reform requires shared visions and the active participation of a range of actors involved in implementing changes; including politicians, senior officials, business and labor representatives, the private sector and the non-profit sector involved in public service delivery, as well as the general public.

The general development tendency which has most affected the organization of work in recent decades is decentralization. Management by results as a management philosophy is a natural consequence of the decentralization of an organization, which leads to a clear focus on results. Responsibility for results means that some definite objectives are to be achieved within a given financial frame or that payment is made according to actual performance. The demand for accountability has traditionally meant that social service programs have a regularity aspect. An increased orientation towards the market, performance-linked incentives and new management information systems has meant that operations have been adapted more rapidly to changing needs. Performance management strategies involve a shift from traditional procedural approaches to a more results-oriented culture where priority is given to outcomes of public policies. The aim is to move from a mode of operation based on ex ante control of resources, extensive regulation to prevent abuse and ex post inspection to ensure compliance with legal standards, to continuously monitored performance, management with accountability for results and all dimensions of performance (economy, efficiency, effectiveness, service quality, financial performance).



Political forms of work have also changed. The role of politicians has always been complex, involving the task of solving conflicts of interest.

Development of democratic forms of work is an important issue at all levels. Multiple interests must be brought into a participatory policy-making process, without jeopardizing the capacity to govern. A market economy is a sensitive plant requiring a firm, stable democratic soil in order to thrive. A well-established local democracy is a prerequisite for building a stable society. Local self-government creates a link between the state and civil society which can provide the basis for the effective use of resources.

These efforts need to be woven into a framework where the central capacity to govern is enhanced, especially in the face of globalisation; where an appropriate balance is struck between central direction and local discretion; where the interests of many policy actors are considered; and, where democratic accountability is protected. Traditional values of neutrality, integrity, and equity must also be married with today's demands for value-for-money and quality of service.

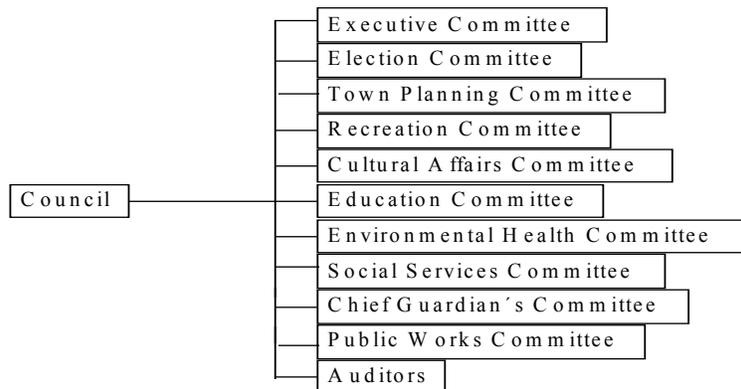
Therefore, the challenge facing local governments is to re-establish political strength by being more explicit when defining goals, and more consequential in following-up results. Quality improvement and cost-effectiveness should be encouraged by using market mechanisms. Only by applying both these strategies can local governments solve the dilemma of consensus versus change.

## **Organization of Local Government - three models**

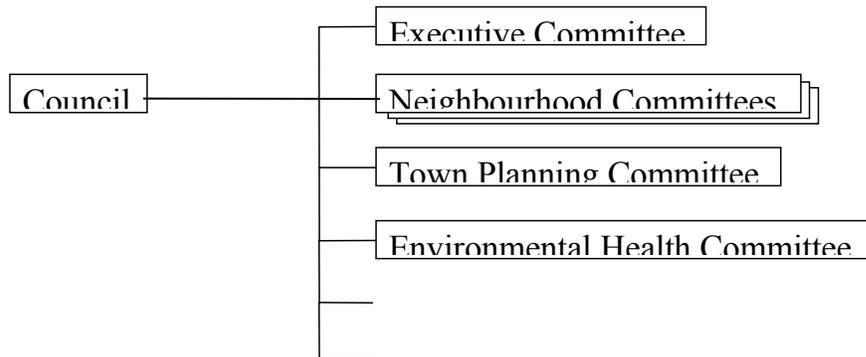
Compulsory missions and activities such as social services, education, planning and building permits, environmental health, street cleaning, emergency and rescue services and so on have in Sweden been traditionally organized via sectarian committees according to law. Nowadays the councils are more or less free to find their own solutions. Many Local Governments have created completely new forms of committees, or phased out or changed some of the old committees.

Today you may find three different principles for Organization of Local Government. It is fairly common not to use only one of these principles, but to find new combinations and solutions tailored to the needs in each city / authority.

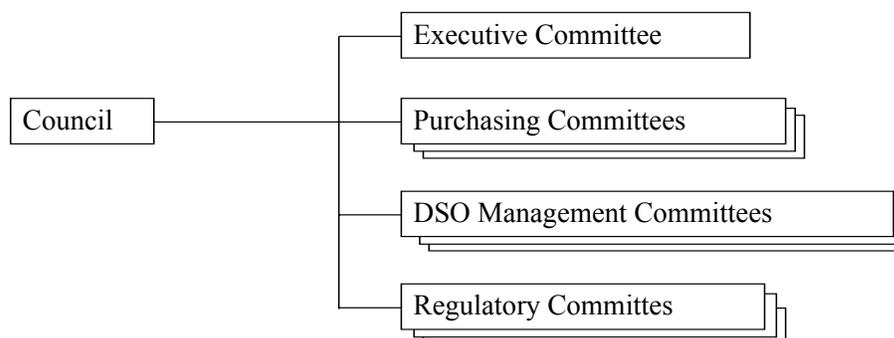
The traditional Organization is based on the principal that every field of operations should have its own Committee and management. One example:



About 10% of the Local Authorities in Sweden have an Organization based on territory principles. One example:



Purchaser - provider models have been introduced during the last decade. One example:



The Purchasing Committees could be, for example, an Education and Labour Market Committee or a number of Neighborhood Committees. The Regulatory Committees could be, for example, a Social Services Committee, an Environmental Health Committee and a Planning and Building Permission Committee.

There are many combinations between these three principal models and my experience is that there is no "best practice". It is important to find an organisation tailored to the situation in each Local Government.

The clarification of roles, which has been striven for in many municipalities, has for example involved separating the tasks of citizens' representative, employer (producer representative), and owner (of land, premises, equipment etc.). Some key components of this perspective are shown in the following diagram:

A. To represent citizens as	
- financier	* Effective use of available resources
- consumer	* Guaranteed access to community services
	* Quality assurance
	* Safeguard ethical considerations
	* Efficient tendering procedures
B. Producer representative, activities carried out under municipal control	
	* Ability to compete (to be the best alternative)
	* Commercial approach
C. Owner	
	* Good employers
	* Yield on invested capital

## Market mechanisms

In Sweden and many other countries, the responsibility and decision-making powers of many local authorities have been decentralized and shifted to lower levels in the organization. This means that institutions such as day-care centres, homes for the elderly and schools now have their own budgets, and are therefore able to determine how much money they wish to allocate to their various activities. Changes of this kind have regularly led to the improved utilization of resources. The division of major authorities into small, service units is also a prerequisite for the introduction of market mechanisms. Further incentives to cost-effectiveness have been provided by utilizing the principle of allowing funds to "go together with" the child/patient/pupil and by competitive tendering procedures. Both these incentive structures have resulted in substantial productivity gains. Between 1992 and 1995 productivity, within those local governments in Sweden where these incentive structures are implemented, has risen by 25% as a result of the introduction of voucher systems, and by an estimated 13% as a result of competitive tendering. All reliable information indicates that the introduction of market mechanisms into the public sector results in productivity gains (Svensson, 1994). The increased orientation towards market mechanisms within the public sector - by means of performance-linked incentives, contracting out and the introduction of new management information systems - has most certainly been successful in fulfilling demands in respect of increased cost-effectiveness. On the other hand, however, it is difficult to evaluate changes in standards of quality. It is often claimed that contractors are able to cut costs by lowering the quality of the services they provide, without the purchaser being able to detect or correct the deterioration in quality. It should be emphasized, however, that contractors rarely do this.

It is not sufficient merely to refer to the introduction of market mechanisms into the public sector in order to understand why changes that increase efficiency, such as privatization and purchasing procedures, can result in management problems. It is not the market mechanisms that create the problems. On the contrary, market mechanisms, such as competition, personnel incentives, contracts etc., can function as extremely powerful, control devices. If anything, the problems experienced are related to the fact that market mechanisms expose the inadequacies of the traditional, monopolized public sector. These problems were recognized and analyzed two years ago at the UN Conference on Privatization (UN, 1994).

Management problems are exacerbated by the fact that a previous bureaucratic and centralized organization was unable to function efficiently. One and the same organization, and often the same people, acted as purchaser, contractor and evaluator. Any organization that sets the requirements for its own work, then executes the work and, finally, evaluates the results has a natural tendency towards inefficiency - both in respect of the utilization of resources, and the clear definition of goals and results. A "procedure culture" often develops in this kind of organization which, by adhering rigidly to procedural practice, effectively blocks initiative and change. There has also been a strong tendency to treat the public sector as an instrument of labour-market policy rather than an organization responsible for carrying out essential services for the community. Taken together, this has severely hampered the public sector's ability to clearly define its goals, follow-up its results, motivate its employees and improve its methods. The need for clear specification of aims, objectives and service standards is therefore a key element of public sector reform work, both because of its own merits and in order to facilitate agencification, contracting out, concessioning and privatization.

## **A system of customer choice**

Customer choice generally means that the individual citizen, given the entitlement by the municipality to a subsidized service, is able to make use of this subsidy by means of a service cheque/money grant or the equivalent, which is valid as a means of payment when purchasing the service.

This right is based on an individual decision for each person, or a general decision covering all individuals with a particular need. The person or organization providing the service is to be authorized by the municipality to cash the cheque. The individual citizen can also be given the opportunity of choosing more or less freely without this being linked to a system of cheques or money grants.

There are many advantages with systems using money grants. The individual has a clear freedom of choice. Producers are obliged to compete for customers which increases quality. The disadvantage with systems of money grants is that there is a risk that price competition will be eliminated.

One of the prerequisites of a system of money grants is that it is easy to establish the entitlement to the grant, preferably on the basis of objective criteria. This is the case, for example, with school grants that follow the pupil, maternity care, child care and dental care grants. In these examples, the service provided is relatively homogeneous and individual differences in needs can be assumed to cancel each other out over time, in the area which the producer is responsible for.

In the following example of local authority child day-care grants, you can see how the grant is dependent on the age of the child and the extent of the care. The grant is paid by the local authority directly to the day-care centre (the amounts in Skr per year)

The child's age	The extent of the care (hours per week)			
	Over 40 hours	30-39.5	20-29.5	Under 20
1-2 years	108,000	84,000	60,000	42,000
3-5 years	72,000	56,000	40,000	28,000
6 years	50,400	39,200	28,000	19,600

## Four phases in management reforms

Management reforms in government take time to implement. Sometimes the ideas behind them are even slower to take root. Today management methods, concepts, models and values have been accepted as an integral part of the way public administration is conducted. The question of the relevance of different management concepts and techniques is open to debate.

The reforms are generally described as involving

- an increased focus on performance, as opposed to simply compliance with prescribed rules or procedures
- greater accountability, through transparency and ex post review
- management devolution - "letting the managers manage".

You may see four phases in the way public management reforms have been carried forward: The initial targets of the first phase covered the full range of familiar bureaucratic shortcomings: waste, unnecessary activity, overcomplex regulations, overlap and duplication of functions, confused lines of responsibility, slow and overcentralized procedures for decision making, divided authority, unclear performance standards and lack of information about results and costs.

Still instances emerged of reporting systems continuing to operate even though no one used the reports, expensive work being conducted in government when external purchasing was clearly cheaper, common services being overprovided free of charge to the user departments for example.

The second phase was to build a more general public management modernization. The objective, to shift from procedures-based administration to results-based management with an orientation to year-on-year improvement in performance, required a knowledge of results and costs along with better methods of using human and financial resources. This relied on a "one-best way" management-by-objectives (MbO) philosophy strongly coloured by private sector experience. The main themes of the second phase were

- strengthening accountable line management
- longer term reform program developing new systems and structure priorities to decentralized financial management and cost control.

The reform efforts during the 1970s to introduce ZBB (Zero based budgeting) and MbO have proved to be passing trends with little impact. These methods are based on the premise that any large problem can be desegregated into a series of small problems, which can be dealt with independently within centrally set parameters. Structural reorganizations cannot be managed in this top-down way. They require extensive consultation and active participation by the organizations affected to formulate problems, devise feasible solutions and mo-

bilize commitment to implementation. Especially when professional organizations are involved, imposing changes from above is liable to damage morale and performance. Furthermore, MbO relies, to a certain extent, on a hierarchical structure in the break down of goals, and this can sometimes limit the possibility of motivating the personnel who carry out the service.

The third phase sought to change culture, attitudes and behavior of government so that continuous improvement becomes a widespread and in-built feature in the search for better value for money and steadily improving services. This phase can be summarized in the following way:

- focus operational management responsibilities by defining their objectives and tasks
- keep strategic policy and resources decisions at the centre
- establish processes for agreeing performance "contracts" between the centre and the result units

The fourth phase is quite different. This phase aims at large-scale structural reorganizations of public service delivery systems. A macromanagement process is always required to steer structural changes because they are beyond the control of individual organizations. Methods of managing reform are therefore required which take account of the pluralism and professionalism of the services in question. The management solutions that have been applied to structural reorganizations have followed the pattern of imitating business models and promoting competition. The main elements are

- decentralization of operational management responsibilities to individual units
- creation of a business management ethos: cost consciousness, management by results, financial accountability within organizations
- competition between providers
- the public as customers rather than clients in a purchaser-provider contracting system
- centralized financial control over local management discretion

When moving from rule steering towards management by results systems (MbR) the political mobilization is essential. Otherwise the examples of MbR will be absorbed by the pressure of administrative rule steering and a degeneration back to the old system. However it's not possible to draw a clear dichotomy between rule-based systems and those focused on marked-oriented strategies since our experience to date suggests that the two are likely to coexist side-by-side. In countries that have recently emerged from authoritarian regimes it can be difficult to implement management styles that empower workers at lower levels of the Organization.

## **Objectives, quality and customer satisfaction**

Nearly all organizations are, by now, aware of the critical need to be customer-oriented in all phases of the business and of the importance of service excellence in achieving customer satisfaction. But the challenge is to achieve real results. Within local government that means balancing external demands and limited resources, creating internal incentives which actually result in more satisfied customers, and truly infusing the organization from top to bottom with a philosophy and culture that achieving customer satisfaction really is important, even if that doesn't mean you will get more money.

Discussions regarding standards of quality within the public sector are often carried out in two completely different dimensions. On the one hand, there is the discussion and evaluation of the quality provided to customers and, on the other hand, there is the discussion and

evaluation of the result which is provided in relation to the fulfillment of the goals set for the local government. Even if the goals set for the local government are identical to the customers' needs, and they often are, it is necessary to separate satisfying customers' needs from the demands made by the local government.

Public services are always provided within a politically-defined framework. This framework is determined by the extent to which the services will benefit the community, by means of such things as ringing in the areas in which they will be provided, determining whether the tax that can be levied will provide the necessary resources, and setting the goals the services should fulfill.

It is therefore quite possible that the fulfillment of goals set for the local government can, ultimately, lead to conflicts in respect of quality for the customer. For example, the goal of equal treatment for all, is often in open conflict with the individual's perception of quality. A similar conflict can arise between employees' professional opinion and the goals resolved by politicians, or between a customer's needs and the employees' professional opinion. Therefore, the further development of management, within the public sector, is not about strengthening the political control of detailed activities, but rather the creation of management mechanisms that clarify roles and responsibilities, and which also provide room for dialogue and discussion.

*TQM (Total Quality Management)* expresses itself in a number of important attitudes to be achieved within an organization: to put the customer in the centre, to work with processes, to constantly develop ways to improve quality and to persuade everybody to participate. More concrete expressions of organizational systems based on TQM have been certification in accordance with international quality standards, which has been introduced into a number of countries in recent years.

In order to create a basis for evaluating how the organization can fulfill all the requirements for total quality, the units are required to provide detailed accounts of how the various key processes have been designed to meet each criterion.

Quality certification focuses on processes. The starting point for the implementation of the criteria is, however, a vision of a highly qualitative organization. The risk is that focusing on the organization's primary goals and results takes second place to focusing on overall, quality demands.

Focusing on processes, and the possibilities of evaluating whether they have been designed with consideration and a professional approach, provides an essential dimension to management development. It should be possible to adapt methods - which combine clearly defined goal and result requirements with the possibility of preventing mistakes and ensuring important processes - to improve the control and management model of the public sector.

Reflecting the difficulties in developing good service quality and performance indicators some local governments put greater emphasis on generalised customer surveys of level of satisfaction with the services than on formal indicators.

## **Management by Results (MbR) and Commitment Quality Management (CQM)**

Existing management problems are often uncovered in connection with purchasing procedures, and various techniques have been developed to overcome these problems. There are many examples, from several countries, of the extent to which forcing the tempo of pur-

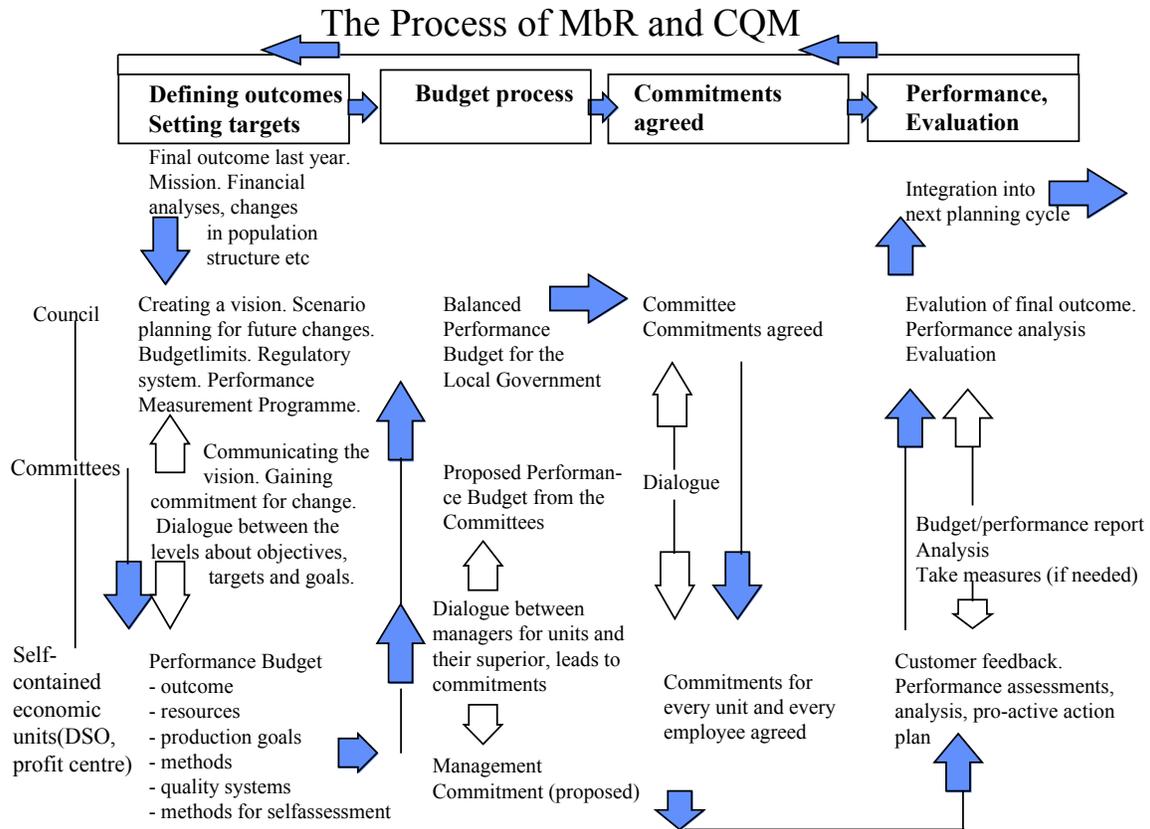
chasing procedures can lead to reverting to traditional procedural approaches. Detailed directions are given on how the service in question should be carried out in order to ensure the fulfillment of set goals. Detailed descriptions of how food should be prepared, or cleaning done, or streets cleaned may provide a certain degree of assurance in respect of fulfilling the goals set for the service; however, at the same time, they block all attempts to improve efficiency by developing new working methods.

In Sweden and many other countries, the implementation of a management philosophy based on *management by results (MbR)* has been found to be a solution which can be successfully applied. Interest is focused on the results to be achieved, while issues regarding the working methods to achieve the results are the responsibility of the individual units. MbR and other *performance management* strategies involve a shift from traditional procedural approaches to a more result-oriented culture, where priority is given to outcomes of public policies. For example, the maintenance of a park is not described in terms of when the lawns should be mowed, how densely and how deeply the flowers should be planted etc., but rather in terms like a "well-maintained park", where consensus on the concept "well-maintained" is achieved by means of an ongoing dialogue between the purchaser and contractor, using photographs, descriptions etc.

MbR constitutes extensive adjustments for a traditional administrative organization. For those who have experience of traditional organizations, the following requirements serve to illustrate the extent of the work needed to reform. New steering models as a combination of results steering and TQM have been developed since the mid 1980s in Sweden. An evaluation of the lesson of Experience in central and local government has pointed out the following prerequisites in the reform process (Svensson, 1993):

1. The effects for the people concerned (patients, children, pupils) should be focused at all levels on the Organization.
2. The discussions about visions, goals and targets should be integrated in the budgetary process and all decisions should relate resources to demands for effects and results (quantity and quality).
3. This process should be designed in such a way as to engage and encourage every politician and every employee.
4. There should be a commitment (contract) for every result unit signed by the manager and her/his superior, where the responsibility for a certain result is agreed upon.
5. This commitment consists of the required results (possible to follow up and evaluate), linked to the resource allocation.
6. MbR is a method for combining service standard improvements with deregulation. Outdated and unnecessary regulations should therefore be subject to consideration. Decentralization of power and employee empowerment are fundamental.
7. A commitment for every employee, including demand for defined results, rights and competence.
8. MbR is improved by monitoring, evaluation, performance incentive systems and accountability.
9. Essential prerequisites for MbR are systematic customer/citizen quality feedback systems, and evaluation and accounting systems so that the achieved effects and results can be measured and compared with visions, goals and targets.
10. The philosophy of MbR should be carefully implemented among all politicians and all employees through well thought-out introduction and development programs and appropriate training systems.

It is very important to set targets which are credible and motivating. The process is summarized below:

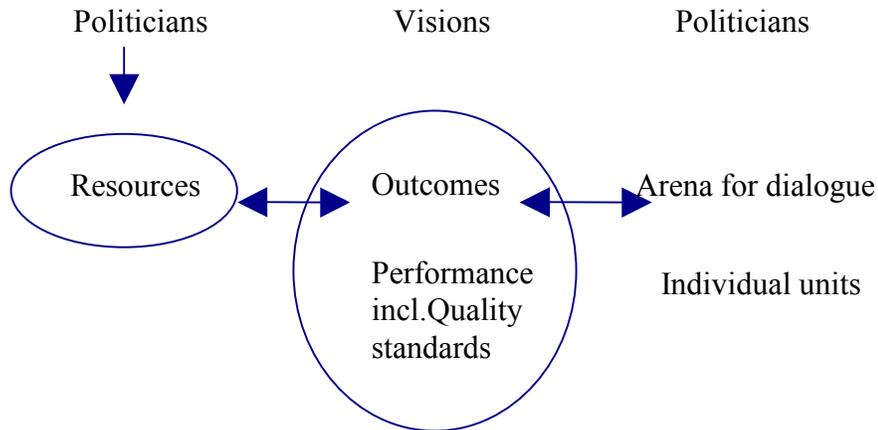


Attached you will find three examples showing commitments for

- the manager for a self-contained economic unit (annex 1)
- a self-managed team of employees (annex 2)
- an employee within a traditional team (annex 3)

These commitments aim to clarify the responsibilities of each party and represent a formal commitment by the parties to what has been agreed. This include a specific type and level of performance in return for specified funding and the specified level of autonomy and related reporting requirements (sanctions and rewards may also be prescribed).

The problems regarding the hierarchical structure of MbO have been solved in MbR by emphasizing dialogue regarding the goals, rather than their breakdown, as illustrated in the following figure:



We have called this model CQM - Commitment Quality Management - recognizing the need to balance external demands and limited resources and create a philosophy and culture where achieving customer satisfaction and real results is the commitment for every committee, manager and employee. The aim is establishing a new managerial culture blending responsibility, autonomy and accountability. The objective is to give units greater operational autonomy while developing a better steering and strategic capability at central level.

**CQM** consists of

- A. A leadership based on clear specifications of performance (incl. quality standards) in aims, objectives, goals and targets
- B. Focus on the results for the citizens
- C. Commitments based on participation from every employee in the process
- D. Measurement and evaluation of performance, including service standard quality
- E. A program for continuous improvement of quality and efficiency.

Efforts to reform the local government in this direction have been very successful in the 1990s:

- utilization of the MbR negotiating process as a step towards CQM
- utilizing MbR systems in the form of interactive co-planning with citizens in technical and social areas.
- integrating MbR systems with systematic customer/citizen quality feedback systems.
- distinguishing between programming, financing and implementation in the sense of various forms of the "enabling authority".
- interaction between results orientation, regulation and competition in local government services.
- integration of MbR systems and organizational outsourcing with the aim of stimulating institutional competition.

There is a trend towards quality control of public service production through citizen and customer participation. Above all, this includes systematic and decentralized citizen quality feedback systems and in some cases explicit service obligations by the administration towards citizens within the framework of a citizens' charter, focused at issues such as timeliness, accessibility and continuity of services.

The core element of all internal modernization programs is the introduction of the new administrative steering model containing element of management by results, cost and performance calculations, and results budgeting. In many countries the introduction of the new

steering systems and the re-organization of the operative administrative units has thrown the central units into crisis.

This leads to a strategic dilemma in the course of the internal modernization process: usually the central units prove to be an important, if not indispensable, motor initiating the reform process: once a certain stage of development has been reached, however, the headquarters often constitute a major barrier for the further course of the modernization process.

One of the aims of abandoning administrative rule steering in favor of results-oriented steering is to create the scope for autonomous action by the units at local level. Such a steering logic will, however, lead to the centrifugal segmentation of the administrative system unless monitoring skills accompanying the process of reform are developed as a medium for collective observation, learning and self-steering.

Internal modernization is not merely a task for management, but is inherently a function of the work and action of all the employees participating in the value added process. Thus the development of working structures which are conducive to learning and favor task integration, together with corresponding personnel development systems, is essential.

## **Commitment Quality Management (CQM)**

In order to further develop its services, it is of great interest to the public sector to find methods which combine a strong focus on goals and results with modern process and quality thinking.

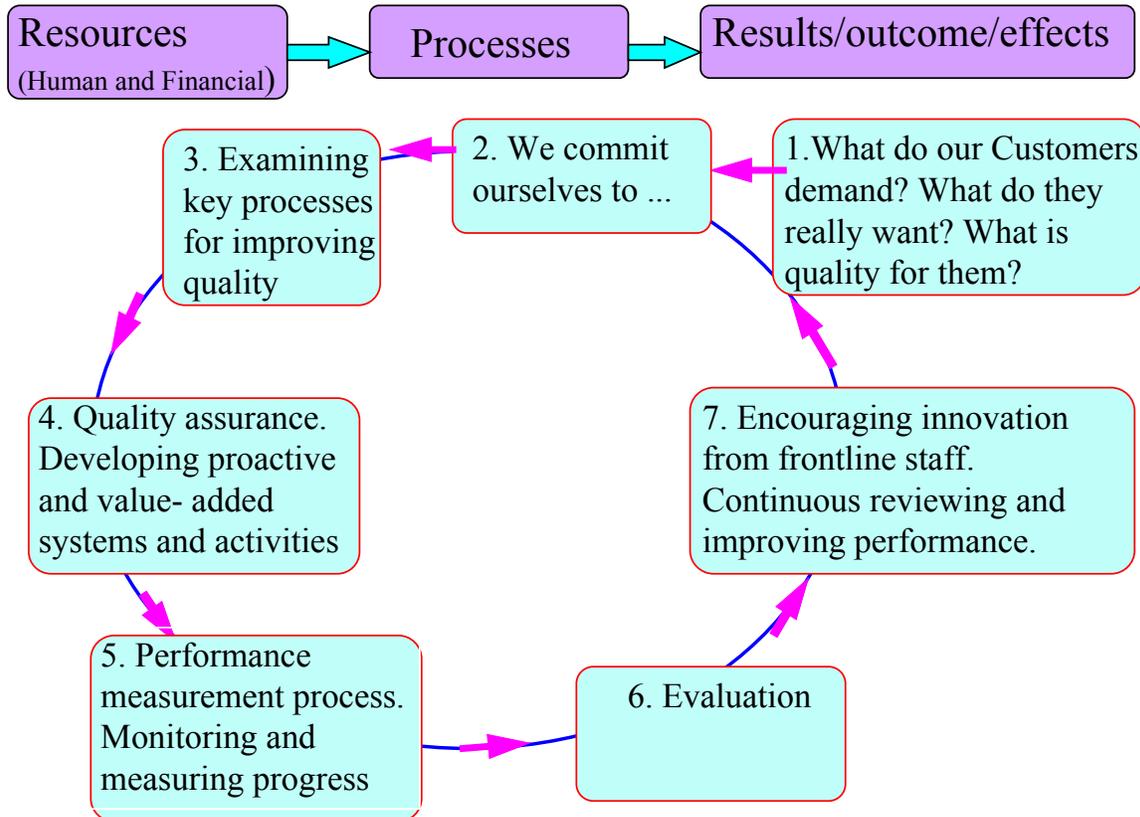
CQM (Commitment Quality Management) is being used as the basis for furthering the development of its services in local government, ministries, central agencies and central government departments. In brief, this method implies that every unit design and structure working processes, in accordance with set goals, and that working processes of special importance are ensured by means of a detailed description and follow-up of their application. The identification of goals is based on the unit's own assessment of its customers' needs, and consideration of the unit's own professional image. These goals are integrated with the goals set for the local government in a dialogue between the contractor and the purchaser. The processes are designed, independently, by the operative, responsible personnel, and are monitored by the management, which also follows the work that is done to ensure that results are fulfilled. The end-product is that the management and the unit assess a level of ambition, which is reasonable in relation to the goals set, and establish the unit's commitments in relation to its customers and the goals. These commitments are continually added to, through the process of development.

In local government we have provided relevant examples of CQM across a range of different public services, for example child care, education, social security and care of the elderly, to further develop these methods. Pilot bodies have been selected on the basis of management capability, demonstrated improvements and potential for further improvements.

The work involves clarifying and strengthening the connection between the commitments the unit undertakes (based on the goals that direct the unit's activities, the needs of its customers, and the unit's chosen image), and the working methods and routines that are applied. Education, child care and care of the elderly are customer-affiliated activities, which are characterized by intensive, long-term and close relationships with customers. Customers' needs are often based on values regarding feelings of security, consideration and respect. This emotive dimension is also often what attracts people to work in schools, hospi-

tals and social welfare. By taking stock of these values, it is possible to create a multi-faceted picture of the needs the unit is required to satisfy. Experience has shown that an initial stock-taking of values, together with the personnel, provides an invaluable basis for commitment to development work. The unit then proceeds to identify the goals, which the unit is required to fulfill in dialogue with the purchaser, as well as the unit's chosen image.

The following is an example of the steps used in determining how the practical work should be structured. The steps are summarized in the following figure:



### Step 1 : Identifying the customers and their needs

Today also the public sector is part of a competitive market place. Public organizations are having to be increasingly proactive in meeting customer needs. The challenge is to satisfy customers and to go beyond the ordinary requirements of quality and value to exceed customers' expectations.

The first step is to identify the customers and their needs. Who are they? What do our customers demand? What do they really want? What do they want to be different? What is quality for them? How will they measure our success? What does this entail?

### Step 2 : Identification of commitments (= what is to be achieved)

One problem is the fact that customer satisfaction is affected both by perceptions of performance and by expectations, both of which are "subjective". Managing expectations becomes an objective itself.

In step 2 ("we commit ourselves to...") the unit has to find a balance between the interests of the taxpayers, the politicians and the direct users of the service.

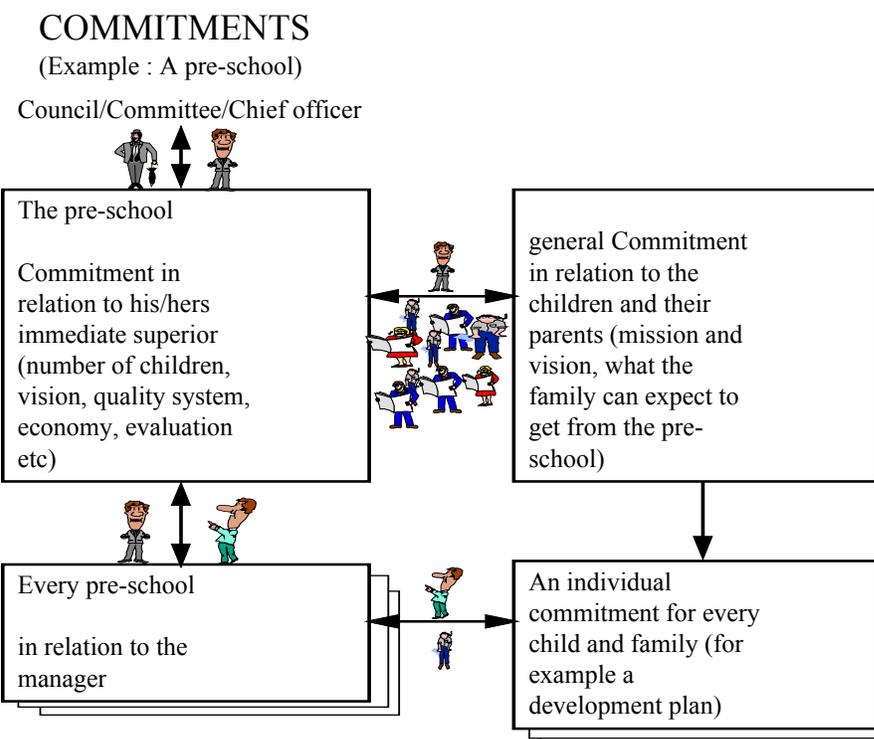
1. The unit's commitment to the customer

- on a general level for all customers ( or different target groups)
- on an individual level for each customer

2. Every employee's commitment to the organisation

- the manager's commitment, in relation to his/her superior, on the performance of the unit
- every member of the staff has an individual commitment in relation to the manager

The commitments are on two levels - one general and one, more detailed, individual. All commitments are in writing, signed by both parties. There is agreement upon the duration and when the commitment is to be reconsidered.



**Step 3 : Service structuring (= how the commitments are to be achieved).**

A clear description of the working processes, closely linked to the fulfillment of the goals.  
A detailed description of especially important parts of the processes.

**Step 4 : Safeguards (= when, by whom)**

Specification of the time for carrying out the processes.

Allocation of responsibility for carrying out the processes.

Description of routines, which should provide the possibility of monitoring whether the agreed working methods are in fact being applied.

**Step 5 : Follow-up of work carried out and follow-up of results**

Description of how the unit is to follow up and trace back actual results.  
Developing a practical action plan to measure, monitor and improve performance.

### **Step 6 : Evaluation**

Once a performance measure is calculated it must be evaluated. Is the performance good or bad or indifferent?

Description of how the unit evaluates the quality system in relation to customers' needs, Professional image and the commitments.

### **Step 7 : Development**

Description of development goals.

Description of development efforts.

Specification of how continual reviewing of agreed parts in the quality system should be carried out.

CQM is a method encouraging innovation from front-line staff to improve customer service.

It is also possible to use customer satisfaction data as an integral part of re-engineering pay and reward schemes. Attached you will find an example from the Energy Authority in the Local Government of Lund. The staff are rewarded for economic result, productivity and achieving the goals for quality (annex 4).

The practical work can be regarded as a repetitive process, focusing on reviewing all the stages and monitoring the parts of the operation that are important in order to ensure quality. The commitments the unit undertakes, in relation to customers and the purchaser, are formulated on the basis of the level of ambition which is achievable.

Experience shows that reflections in terms of what is achievable emerge during work to establish the quality system.

As mentioned before, the quality of a service depends to a great extent on the personnel's involvement in their work. Quality systems, which are based on important emotive values, motivate involvement. This motivation should be developed by allowing the personnel to have a strong influence on the planning of operations. The development of a quality system guarantees this influence inasmuch as all personnel participate in working out the system, and each working group is responsible for the quality system when it eventually comes into operation. The management's role is to support and supervise the work.

The quality system is designed by the personnel, but the direction the work takes is determined by the customers and politically resolved goals. Therefore, part of the unit's quality system is to evaluate and adapt the unit's goals and working methods to suit customers' needs and political goals.

It is not only the direct controllable variables that are of importance to the customer, and thereby the unit, but also a certain degree of unanimity between the important services provided by various organizations. In, for example, the case of care of the elderly, it is obvious that customers expect cooperation with "affiliated" organizations, such as the public medical service, to prioritize their particular needs. Effective interaction with these affiliated organizations requires well-developed working methods, and routines for contact between the organizations involved.

## **The purchaser's evaluation according to CQM**

A unit is required to do more than just develop a quality system in order to develop acceptable quality safeguards. It should also be possible for the purchaser/politicians to be able to assess, and implement measures to improve standards in the unit's quality system.

For a number of years, the ISO system, and the criteria for national and international quality certification have been widely used to assess the quality systems of organizations. To date, the assessment systems used have had a wide focus. As stated above, this can lead to the risk of units considering the evaluation work as being far too comprehensive, and the control signals far too dissipated and inarticulate.

CQM endeavors to focus the development of evaluation methods on the relationship between goals - working methods - results. Evaluation consists of the standard of the quality system itself - i.e., how the unit has acquired/formulated goals, structured working methods and assessed results - and the unit's professional knowledge - i.e., are the goals relevant and comprehensive, are the working methods relevant to the goals and of an adequate professional standard, and are the results sufficient in comparison with the performance of other units.

Thus, the methods of evaluation are partly related to quality evaluation, but they also have a distinct relationship with the methods that are used to assess tenders and follow up the work of contractors. The control function which is, thereby, put into the evaluation system requires considerable knowledge on the part of those who carry out the evaluation of the various activities. In comparison with other quality evaluation systems, evaluation is specific to an activity, and aimed at testing the feasibility of undertaking a commitment.

### **Developing a practical action plan to measure, monitor and improve performance.**

1. Why measure performance? What is the aim?
2. These are our commitments!!
3. Identifying appropriate performance indicators.
4. Methods for measuring and monitoring
  - Photo, video and other documentation of results
  - Self-assessment
  - Dialogue with customers (for example the "milestone method")
  - Interviews
  - Questionnaires
  - Observations and tests
  - Exercises
  - External examiners (peer review/ organizational audit/medical audit/patient care audit)
  - Conferences and hearings
  - Benchmarking
5. Finding the best methodology for your needs. The balance between internal and external measures. Cost effective measurement - balancing the utility of information against its production costs. Ensuring accuracy.
6. Designing the detailed Performance Measurement Program.
7. Integrating financial with non-financial/soft measures.
8. Establish effective Performance Reviews. Making performance indicators relevant to the particular needs and conditions of the user.
9. Actions.

## **CQM in practice**

Who's in charge of actual performance / service quality - the centre or the field? CQM defines the roles as follows: The first step is to develop an action plan to put these ideas and principles into practice to generate improved performance. The Council or the committee is responsible for having such an action plan designed and implemented. Then it's a responsibility for the managers and staff on the field level to develop the quality systems for every unit.

Attached you will find a manual / method used for designing the action plans (annex 5).

Units that work with the method notice that employees become more involved in their tasks, that awareness regarding professional requirements is strengthened, and that dialogue with customers and politicians becomes easier. Development work also indicates that considerable quality gains for the unit can be achieved, mainly because the efforts of the personnel are coordinated and related to the goals of the organization. The professional work carried out by the unit enhances public respect and increases customer participation.

Due to the current economic situation of the public sector in Sweden, as well as many other countries, it is of vital importance that clarity regarding meaningful qualitative values, and ways of achieving these values in the most significant parts of a unit's work, are identified by using methods such as those provided by CQM. It is possible to carry out a responsible transition to a situation with reduced public resources in combination with efficiency incentives, such as competition and performance-linked budgeting. It should also be noted, that efficiency can and should be one of the unit's goals. This enables the unit, itself, to describe, follow up and further develop processes to improve the efficiency of its activities.

Another effect of this course of action is that it contributes towards the unit's ability to design commitments, which are specific to the unit and even to the customer, and which can complement the general commitments the unit has worked out in connection with the formulation of public charters. In some countries, such as the UK and Finland, they have developed concepts of citizens' charters to measure and improve service standard quality. It is obvious, that more individualized charters provide the individual citizen with far better safeguards in relation to the unit and the authorities.

The political level monitors and assesses the extent to which the units can manage to maintain adequate, professional standards in this work, and whether the units' efforts to fulfill the goals are sufficient.

In comparison with TQM, work to ensure quality safeguards is entirely based on the goals the units have. The other parts of quality work are regarded as secondary, supportive efforts. Thus, quality work is adapted to each unit's specific role and conditions.

Similarities to TQM and MbR consist in the fact that CQM combines the basic values, clarity of goals and result requirements, as well as the quality thinking and safeguarding of processes of both these management philosophies.

### **When is CQM applicable?**

CQM is a method which has been specifically developed for services provided by the public sector. It is particularly suitable for activities which have relatively complicated goals that are difficult to follow up.

CQM is particularly suitable for activities that are managed by a number of decentralized units - advantage should be taken of the possibilities to compare and compete. The method requires considerable knowledge of the conditions under which the activities are carried out, as well as on the part of those who carry out the evaluation of the various activities. However, this does not mean that the units are required to have reached a high professional level. The method is, primarily, development-oriented.

An interesting aspect of CQM is that an organization, which has a relatively low Professional level, can methodically assimilate, guarantee and further develop competence within those areas, that are directly relevant to fulfilling the goals of the organization.

The introduction of CQM into an organization should be initiated by strengthening the management's competence and authority. A prerequisite for development, in the long-term, is also the necessity for the political leadership to realize the importance of allowing the units to take responsibility for the development work, and to abstain from dictating working methods. Management's role is to support and encourage efforts that result in improvements, and to intervene, by means of personnel changes, if units cannot cope with the development work.

Public sector services are required to achieve a balance between the interests of customers, the professional ambitions of personnel, and the interests of the general public / the tax-payers. A balance of this kind requires that the customer be able to influence and/or choose the service provider, that personnel be able to choose the image of their respective activities, and that the political leadership's goals have an impact on activities. Experience gained from the implementation of CQM to date indicates that far-reaching decentralization combined with an active follow-up of goals to establish how they are applied to working methods, can create the basis for a balance of this kind.

## **Books**

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Svensson, Arne: Management by Results in Practice/Målstyrning i praktiken/Zielsteuerung in der Praxis/ (Liber-Hermods, Malmö, 1993).

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## **Other Publications**

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Svensson, Arne : Forming New Partnerships between Local Government, Private Sector, NGO:s and Civil Society ( Second Inter-American Conference of Mayors, Miami, 1996 )

Svensson, Arne: Management Systems and Practices ( United Nations International Conference on Public Administration and Social Development , 1995)

Svensson, Arne: Privatization of Community Services (United Nations and Swedish International Services International Conference and Workshop on Privatization of Public Sector Activities, Stockholm, 1994).