Leading by example: local government in Japan adopts ISO 14000 and ISO 9000, funds SME implementation

Drawing on recent surveys of local government in Japan, author Kazuhiko Mizuno, President of the Japan Quality Assurance Institute, reports on the rapid adoption of ISO 14000, and subsequently ISO 9000, by government entities eager to bring about fiscal and organizational reforms in the wake of the bursting of the "bubble economy", and their willingness to help support similarly rapid implementation of the ISO management systems in the small to medium enterprise sector.

ISO 9000 and ISO 14001 certification in Japan started mainly with large companies in the manufacturing sector, followed by smaller manufacturers and the service industry. Local government authorities took various steps to encourage the small and medium enterprises (SME's) to do likewise, rather than pursue certification of their own organizations.

However, with rising global environmental awareness, and inspired particularly by the UNFCCC COP 3 conference in Kyoto, local governments and businesses began to implement ISO 14001-based environmental management systems (EMS). Barely a year after the publication of ISO 14001 in 1997, one Japanese local government had already achieved the first public entity certification. By the end of 2001, some 300 had achieved certification. The latest JAB[1] statistics reveal that the public administration sector now accounts for 3,2 % of all ISO 14001 certifications.

In the case of ISO 9000-based quality management systems (QMS), local government authorities play a supportive role in helping SME's gain certification, although it was not until 1997, ten years after the standards were published, that they started showing interest themselves. Their response to ISO 9000 has been much slower than to ISO 14000. Smaller towns in remote areas led the way, followed by mid-sized industrialized cities. Some 20 local governments have since achieved certification – all in remote cities and small towns or villages.

Recently, local governments have shown increasing interest in ISO 9000 as evidenced by the number of people attending seminars,

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BY KAZUHIKO MIZUNO

The author, Kazuhiko Mizuno, is President of the Japan Quality Assurance Institute (JQAI).

1) The Japan Accreditation Board for Conformity Assessment (JAB), Ohsaki West Bldg. 1st Floor, 2-8-8 Ohsaki, Shinagawa-ku, Tokyo 141-0032, Japan.

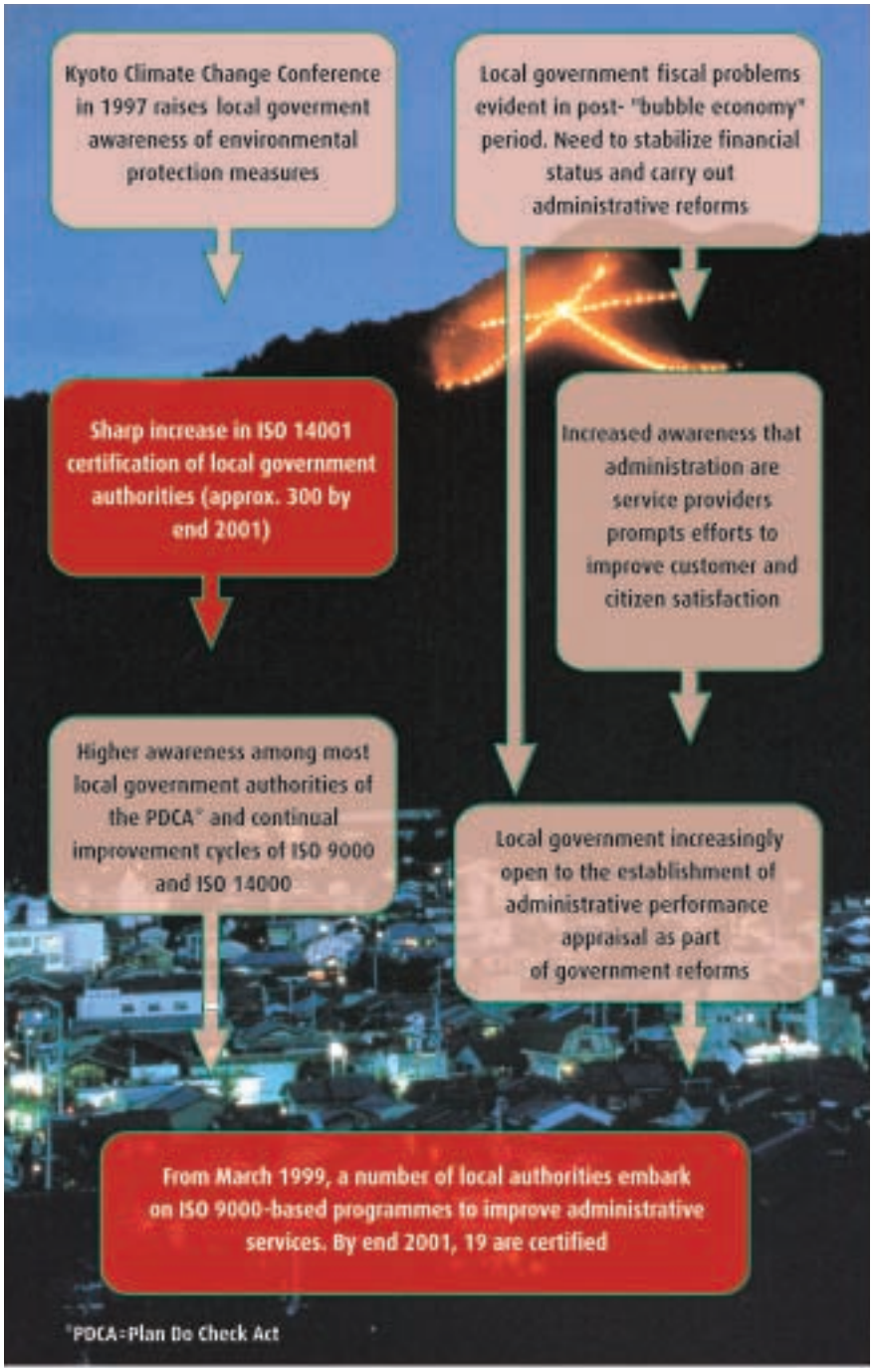
Tel. + 81 3 5487 0240.
Fax + 81 3 5487 2050.
Web www.jab.or.jp

and mid- to large-sized cities have begun to consider introducing the QMS.

Unlike ISO 14000, ISO 9000 began to interest local governments mainly as a means of responding to the fiscal crisis caused by the bursting of the so-called "bubble economy". While demand for administrative fiscal reforms has grown, there is also enhanced awareness that government work is a service for citizens. The rising interest in ISO 9000 is also driven by recommendations from local businesses that have earned certification. These factors have made local governments aware of the need to improve customer satisfaction (CS), one of the main components of ISO 9001:2000.

Figure 1 illustrates the flow of events that have led to local government authorities in Japan taking up ISO 9000 and ISO 14000.

Figure 1 – The flow of events which saw Japanese local government authorities embarking on ISO 9000 and ISO 14001 certification.



About JQAI

The Japan Quality Assurance Institute, of which Mr. Kazuhiko Mizuno, the author of this article, is President, was established in December 1994 by 12 leading Japanese companies – including manufacturers, banks and insurance companies – to promote international standards, particularly ISO 9000 and ISO 14000, as a foundation for a global market. JQAI's activities include survey and research, the organization of training and lectures, and the development of guidance material.

Japan Quality Assurance Institute Inc. (JQAI), ATT (Akasaka Twin Tower) 11F,
2-17-22 Akasaka Minato-ku,
Tokyo 107-0052, Japan.

Tel. + 81 3 3584 9660.
Fax + 81 3 3584 9670.
E-mail info@JQAI.co.jp
Web www.jqai.co.jp

Certified local governments by type

There are 3 301 local government authorities in Japan, divided into 47 prefectures, comprising 12 cities designated by cabinet order (which are accorded almost the same rights and privileges as prefectures), 659 cities, 23 special wards (comprising the Tokyo metropolis), 1987 towns, and 573 villages (see Table 1 opposite.)

Table 1 – Number and percentage of ISO 9000/14001 certified local governments by administrative type. (Figures in parentheses show those local governments certified to ISO 9001:2000).

Local governments by type		Number of local governments	Number of certified organizations		Percentage of certified authorities in each category	
			ISO 14001	ISO 9000	ISO 14001	ISO 9000
Prefectures		47	26	—	55,3	—
Cabinet order designated cities		12	6	—	50,0	—
Cities		659	107	7 (2)	16,2	1,1
Special wards (Tokyo)		23	8	—	34,8	—
Towns		1987	51	5 (4)	2,6	0,3
Village (including the Northern Territories)		573	2	1	0,3	0,2
Total		3301	200	13	6,1	0,4
Organizations affiliated with local governments	Prefectures		61	6 (1)		
	Cabinet order designated cities		12	—		
	Cities		17	—		
	Towns		2	—		
	Others (including co-operatives and various organizations		3	—		
Total (Local governments and their affiliated organizations)			295	19 (7)		

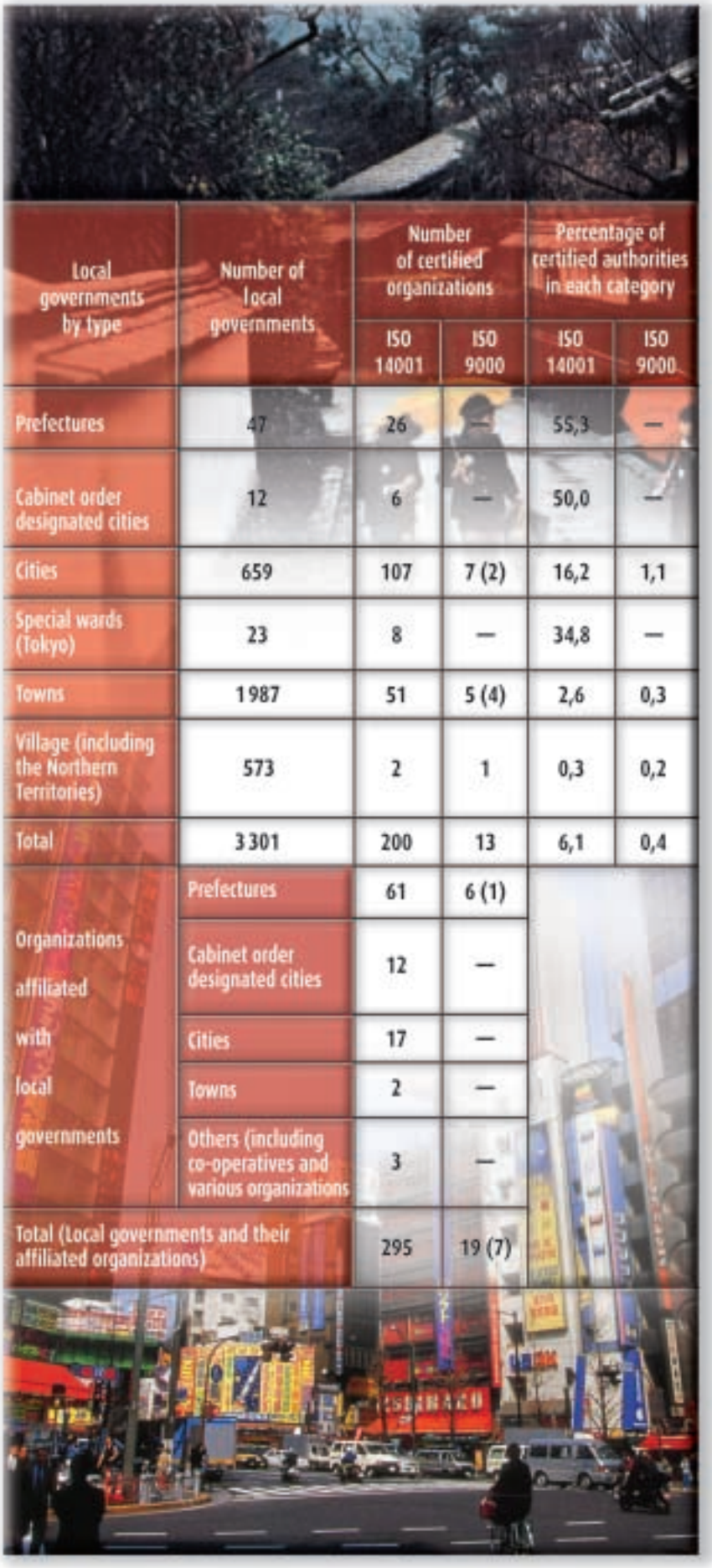
I would like to describe the current status of ISO 9000 and ISO 14001 certifications among Japanese public entities in terms of population size as well as the administrative classification described above.

Prefectures range widely in population from Tokyo, with more than 12 million residents, to those with less than one million inhabitants. The 12 cities designated by cabinet order have, by and large, populations of over one million people. Each prefecture has 10 to 40 cities, and range from around 10 thousand to over one million people. "Towns and villages" average some 40 thousand people. Mergers between local governments are expected in the next two to three years.

By the end of 2001, some 300 Japanese local governments had achieved ISO 14001 certification

Local governments of more than half of the prefectures and cabinet-order designated cities have already been ISO 14001-certified. One hundred and seven cities (16 %) and 50 towns and villages (3 %), nearly 100 remotely located offices, and water supply, transportation, public health and welfare corporations are also ISO 14001 certified.

However, only 20 local governments have earned ISO 9000 certification, none of which are prefectures or cabinet order designated cities. Cities, towns and villages outnumber larger entities, except Mie Prefecture in Central Japan, with six certifications (earned by affiliated organizations, rather than the head office).



Local governments by type	Population size	Number of local governments	Number of certified organizations		Percentage of certified governments in each category	
			ISO 14001	ISO 9000	ISO 14001	ISO 9000
Cities	1 000 ≦ -	11	4	–	36,4	–
	500 ≦ - < 1 000	11	4	–	36,4	–
	300 ≦ - < 500	42	17	1	40,5	2,4
	200 ≦ - < 300	39	10	–	25,6	–
	100 ≦ - < 200	122	25	2	20,5	1,6
	50 ≦ - < 100	223	37	2	16,6	0,9
	- > 50	223	15	2	6,7	0,9
Towns, villages	30 ≦ -	117	7	1	6,0	0,9
	10 ≦ - < 30	895	31	3	3,5	0,3
	- > 10	1 541	15	2	1,0	0,1
Total (cities, towns and villages)		3 224	165	13	5,1	0,4

Table 2 – Number and percentage of ISO 9000/14001 certified local governments authorities by population size. (including Cabinet order-designated cities).

Population: per 1000 people.

Refer to Table 1 and Table 2 for the details of certifications by type of administration, and status of local government certifications by population size.

ISO 14001 is more popular than ISO 9000, with eight out of the leading 22 cities already certified. Some 40 % of large cities with 300 to 500 thousand inhabitants, up to 26 % of mid-sized cities with 200 to 300 thousand people, and up to 21 % of those between 100 to 200 thousand population have been certified. While administrations with smaller populations are less likely to be certified than larger ones, the absolute number of certifications is higher in the smaller cities.

Although premature to discuss the relationship between population size and ISO 9000 certification, it seems that smaller local government authorities are leading the way. The speed at which the heads of governments or organizations make decisions appears to influence ISO 9000 implementation.

Objectives of ISO 9000 implementation

I have drawn information from local government Web sites and JQAI to assess the objectives for implementing ISO 9000.

Examples:

A is a mid-sized city that was first to apply ISO 9000 to an entire city government, to achieve:

- better service for citizens
- more transparent management of the city
- lower service costs through more efficient operation
- more robust information management system
- an invigorated organization.

The public administration sector now accounts for 3,2 % of all ISO 14001 certifications

B is a mid-sized industrialized city where the mayor, originally from the private sector, took the initiative to certify only those government sections having frequent contact with the public, in order to:

- use ISO 9000 as a tool to promote reforms and review new plans
- advance beyond a mode of operation based on experience and rule of thumb
- define existing ambiguous work procedures more clearly.

C is a newly developed city with housing estates where initiatives from local assembly members triggered authority-wide ISO 9001:2000 implementation to:

- shift emphasis from planning to deliverables
- use ISO 9000 to review the way the city is managed and make it more citizen-focused
- establish the efficiency-first principle to achieve objectives.

ISO 9000 began to interest local governments mainly as a means of responding to the fiscal crisis caused by the bursting of the 'bubble economy'

D is a certified town that could possibly merge with neighbouring certified local governments. Objective was to:

- increase public satisfaction
- make administrative work more efficient through government reforms
- establish an information access system to make administrative service more transparent
- gain public confidence by allowing greater public participation in local government
- change mindsets in preparation for merger with other local governments
- introduce external audits to enable a system that ensures fairness and continual improvement.

E is a city of over 100 000 population on an island in the Seto Inland Sea, which implemented ISO 9000:1994 across the entire municipal government in order to promote

Figure 2 – Totals of ISO 9000 and ISO 14001-certified local government authorities by type.

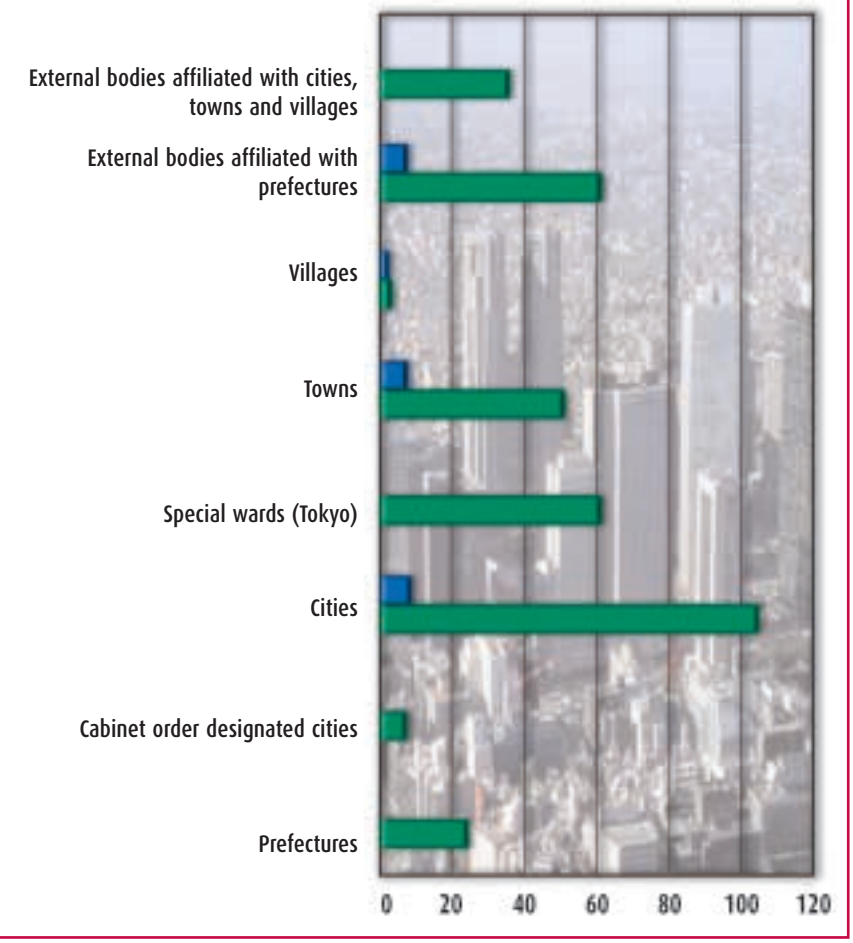
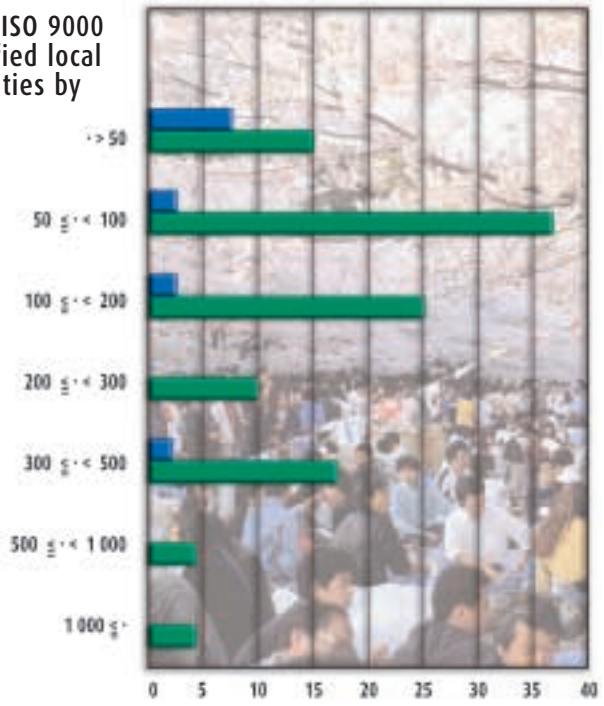
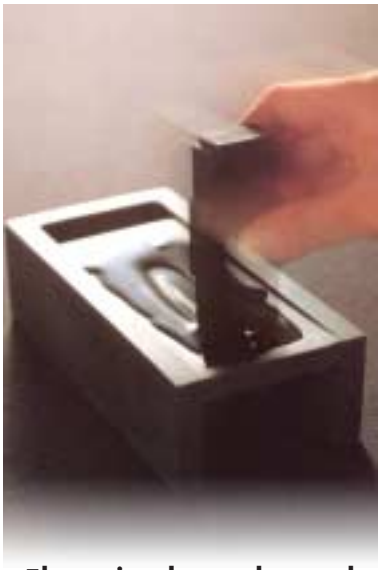


Figure 3 – Totals of ISO 9000 and ISO 14001-certified local government authorities by population size.

Population: per 1 000 people.





There is also enhanced awareness that government work is a service for citizens

citizen-friendly reforms in replacement of traditional "administration-friendly" organizational reforms.

F is a large metropolitan city that has applied ISO 9000 exclusively to its information system to achieve:

- more reliable provision of services for citizens
- faster response to citizens' requests
- better protection of data including personal information
- reduction in administrative costs through more streamlined operation
- greater staff awareness.

G is the nation's largest village and became the first local government authority in Japan to introduce both ISO 14000 and ISO 9000 to:

- ensure a level of administrative service that gives top priority to public needs
- more clearly define responsibilities and authorities for each task to speed up handling
- become more responsive to citizens' needs.

Benefits of ISO 9000 implementation

The following qualitative and psychological benefits have been identified:

- the QMS sets the stage for changing employee attitudes
- it provides tools to help staff change their approach to work
- work procedures have become clearer and more specific
- services provided to citizens on a face-to-face basis have improved
- staff are no longer inhibited from trying newer and better ways
- they now have a system in place to address problems
- they have formed the habit of considering "the need" and "the priority".

ISO 9000 implementation has contributed to the following improvements in government services:

- third-party assessment is beneficial as an administrative assessment
- efforts for higher efficiency are linked to those for administrative assessment
- more streamlined administration following local government mergers
- the QMS has facilitated validation of new projects being planned
- identification of "necessary resources" helps to identify "necessary human resources" making reform of the personnel system more acceptable
- clearly identified "needs" and "priorities" make senior management more aware of costs and the need to reduce redundant investments.

When asked if ISO 9000 "is helpful in improving local government management", 80 % of local government managers agreed. So far, most of those questioned have been positive about ISO 9000 implementation. Nonetheless, it might be still too early to judge since the number of systems in place is still limited and they have not long been in operation.

Challenges in service assessment and the role of ISO 9000/14000

Many of Japan's local governments have started to have their performance assessed because of the need to implement fiscal and administrative reform plans. But there are issues to be resolved. Should they subcontract or privatize various types of government-run businesses (water supply, gas, hospitals, and other facilities) to turn fiscal deficits into surpluses? Should they introduce competition and market mechanisms, improve public satisfaction

with government services, and achieve higher efficiency of office work?

In late 2001, JQAI sent a questionnaire to local governments of prefectures, cities, and special wards in Tokyo. One question asked what challenges they were facing in service assessment. Respondents were allowed multiple choices. Figure 4 shows the six highest ranked challenges.

Over half of the respondents (55 %) saw the establishment of pre- and post-improvement assessment as the greatest challenge, and were aware that their systems were not effective in identifying citizens' needs and in following up on satisfaction survey results.

The second most frequent answers indicated lack of across-the-board participation and low awareness of staffers in charge, suggesting a resistance to change from traditional thinking. When you combine these results with the expected roles of ISO 9000 and ISO 14000 management systems, as shown in Figure 5, you will find ISO 9000 highly relevant and ISO 14000 with some relevance beyond improving citizen (customer) satisfaction.

Local government reform and the development of New Public Management (NPM) is a hot topic in Japan at the moment. NPM emphasizes the establishment of "the mechanism to determine priority of policies and projects to be undertaken, before budgets are finalized". The use of ISO management systems, particularly ISO 9000, will receive much attention in the process.

Local government support for certification of SME's

Most local governments are now providing training assistance and subsidies to support the increasing number of ISO 9000/ISO 14000 certifications among smaller companies in Japan.

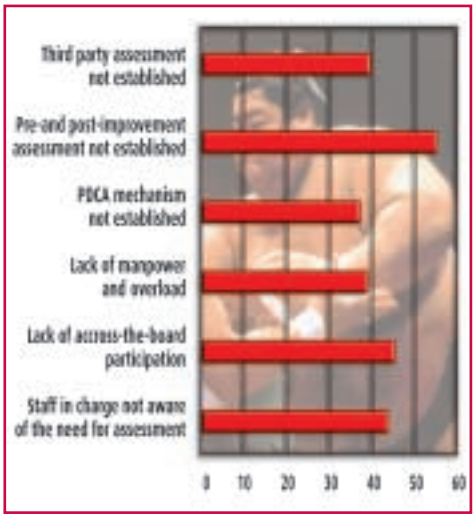


Figure 4 – **Challenges facing local government authorities seeking administrative performance assessment.**

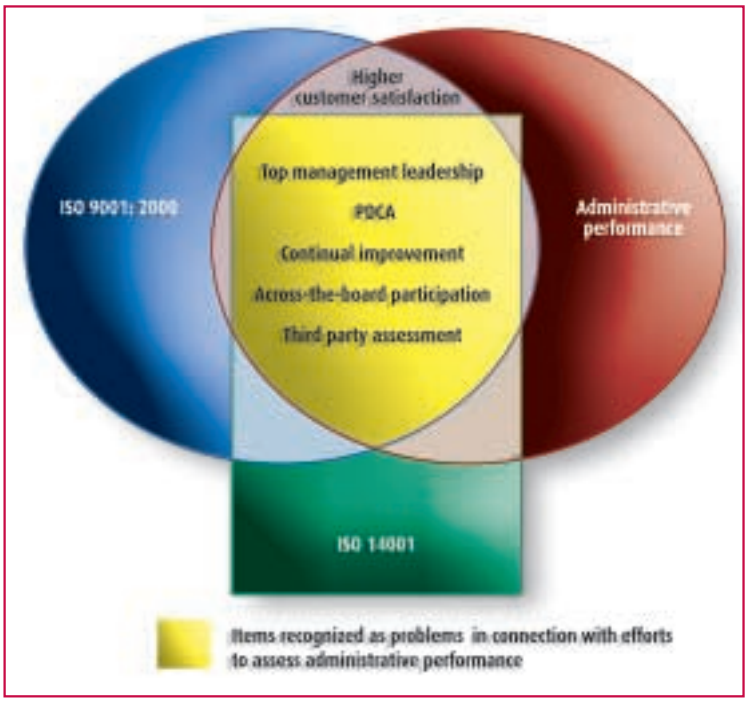
(Respondent could make multiple choices).

Support includes:

- organization of seminars
- specialist manpower
- financial help with training expenses
- subsidies for certification expenses.

Many local government authorities have transferred support functions from head office to external affiliated bodies with names such as, "the Small Business Support Center", "the Small Business Promotion Public Corporation", "the Central Federation of Small Business Organizations", or "Industrial Technology Centre".

Figure 5 – **Relationship between perceived problems concerning the assessment of administrative performance and ISO 9001:2000 and ISO 14001.**



The use of ISO management systems, particularly ISO 9000, is receiving much attention in Japan

Organization of seminars

Seminar programmes are designed mainly to educate participants on the preliminary steps to ISO 9000/ISO 14000 implementation and certification, although some provide internal auditor training. Many are organized by external bodies affiliated with local governments.

Seminar tutors are usually technicians or consultants from ISO 9000/ISO 14000 certification bodies or professional training institutes, though local government officials occasionally teach courses. Course fees are usually lower than commercially run programmes, and are offered from one to six times per year.

Specialist manpower

ISO 9000/ISO 14000 experts are provided by local Small Business Support Centres. Many are certified as small business consultants, or are business professionals who have studied the systems. The number varies in each prefecture. Kanagawa Prefecture (adjacent to Tokyo), for instance, has 20 specialists available.

The central government, the prefecture and the recipient company will divide the Small Business Support Centre expert fee equally. The company share of costs is often less than USD 380 per day.

Industrial Technology Centres also provide advisers at a daily fee of as little as USD 45, for example, but the advice they offer is basic. There is a limit to the frequency and number of expert-days available – generally a maximum of 60 days per year per company.

Very few Small Business Promotion Public Corporations offer certification consulting. Consultants with local government contracts visit businesses approximately six times per year. Total consultancy costs are limited, to USD 6 100 at most, for example, far less than that incurred by businesses contracting consultants independently. Another benefit is support for local government staff visits.

Financial help with training expenses

Necessary training expenses are covered by various low-interest loan programmes, following screening by local governments to decide whether the budgeted expenses are appropriate or not. Some requests for finance can be rejected through lack of creditworthiness (local governments do not guarantee credit). Financial institutions are then asked to finance costs deemed appropriate.

Subsidies for certification expenses

Prefectures that have subsidy systems are outnumbered by those having systems covering seminars and advisers. However, some have recently discontinued the practice because of local government "belt tightening", or because local ISO 9000/ISO 14000 education needs have been essentially met.

Subsidies cover internal auditor training costs, consultancy fees and certification fees paid to certification bodies. Organizations affiliated with a local government cover 50 % of total expenses, or provide subsidies, of up to USD 9 900, for example.

Conclusions

Whatever the driving forces, be it growing environmental awareness, fiscal reform of the bubble economy, greater focus on public satisfaction, or the need to change outmoded attitudes to public service, implementation of both ISO 9000 and ISO 14000 is on the fast track in the Japanese public and private sectors.

The increasing willingness of over 3 000 local governments in Japan to install modern quality and environmental management systems in their own organizations, and to provide financial help and training skills to encourage the SME sector to do likewise must be seen as very positive steps towards higher customer satisfaction and, hopefully, economic recovery.