

**INFLUENCE OF REGIONAL QUALITY AWARDS ON BUSINESS AND
REGIONAL ECONOMY (EXPERIENCE OF ST. PETERSBURG AND
LENINGRAD OBLAST)**

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Abstract.

Today the most effective quality management technique is self-assessment against the models of the quality awards.

It has actively been used since 1996 after launching the Russian Federation Quality Award. A year later, under the initiative of Test - St.Petersburg, the Quality Awards of St.Petersburg and Leningrad Oblast were launched.

Past years saw four Russian and three regional contests.

The analysis of the results received demonstrates obvious influence of enterprises' competing for awards on their achievements.

Achievements of many businesses are successfully improving general situation in the region.

1. Organizing quality management activities.

In St.Petersburg and Leningrad Oblast, joint efforts of regional authorities, Test - St.-Petersburg, and other interested organizations have provided favorable environment for expanding quality management approach, introduction of TQM principles.

Last five years saw issuance of more than 30 decrees on standardization, metrology, certification and quality management by two federation authorities, adoption of the "Quality" regional program, establishment of a network of the organizations accredited to perform in these fields, creation of the regional quality training system, promotion of progressive quality management techniques and sharing leading-edge experience.

In quality management efforts, an active role is being played by academic teams developing concrete recommendations both for leaders of the enterprises and for local authorities.

Scholars of St.Petersburg have developed the regional concepts of development in the fields of certification, metrology, as well as a number of draft laws.

All these strongly motivates the enterprises and organizations to undertake actions aimed at enhancing quality and product competitiveness.

2. Regional contests for quality awards and their results.

One of the most effective and mass events has become contests for the St.Petersburg Quality Award and the Leningrad Oblast Quality Award.

The contests of 1998 - 2000 have involved 238 enterprises and organizations of all forms of ownership and business sectors.

Using selfassessment guidelines for the contestants, many enterprises started to regularly assess their performance not applying for awards. There are more than 400 such enterprises in our region.

The distribution of contestants regarding their business is shown in Fig. 1 (a). The diagram indicates that a major part of the enterprises represent a food- industry, mechanical engineering and servicing sector.

The regional contests are run by us for three-size groups. Representation of size categories is given in Fig. 1 (b). Here majority is represented by middle-sized enterprises.

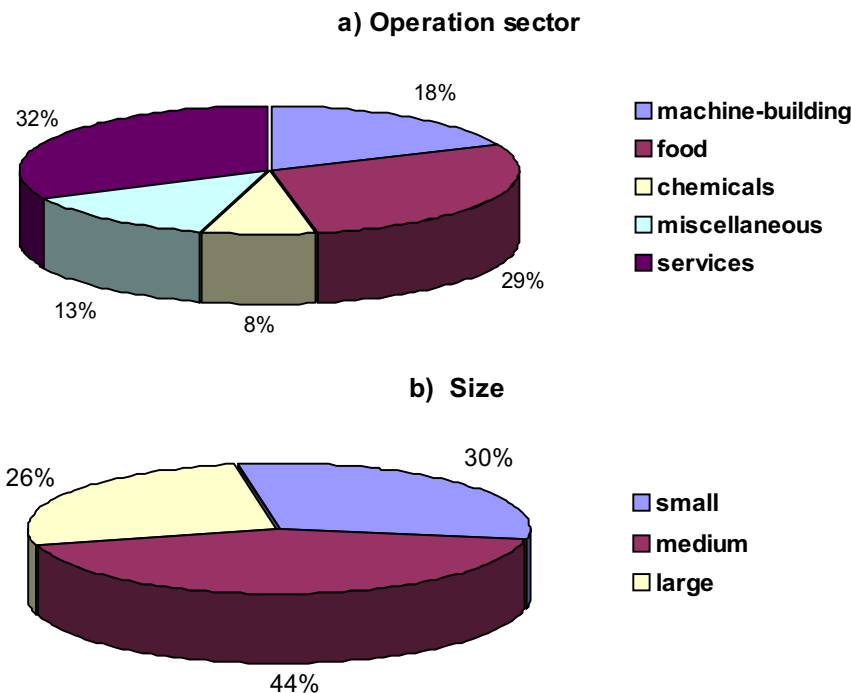


Fig.1. Applicants

Results of assessment for three award contests (1998, 1999 and 2000) in three industries are shown in Fig. 2.

In Fig. 2 (a) given are assessment results for food-makers as percentage of the possible sum of points on each of nine criteria of the model. Notable are rather high scorings against all criteria and steady growth against such criteria, as impact on a society, resources, processes, leadership, people satisfaction and financial results. Only regarding one criterion - the people satisfaction – a progress was found to be unachievable in comparison with the previous assessment. Fig. 2 (b) presents assessment results of the machine-builders. As it can be seen, scoring profiles of mechanical engineering enterprises as a whole are a little bit below that of food-makers. However, they are improving from year to year.

The even more dramatic progress is demonstrated by service providers (fig. 2c).

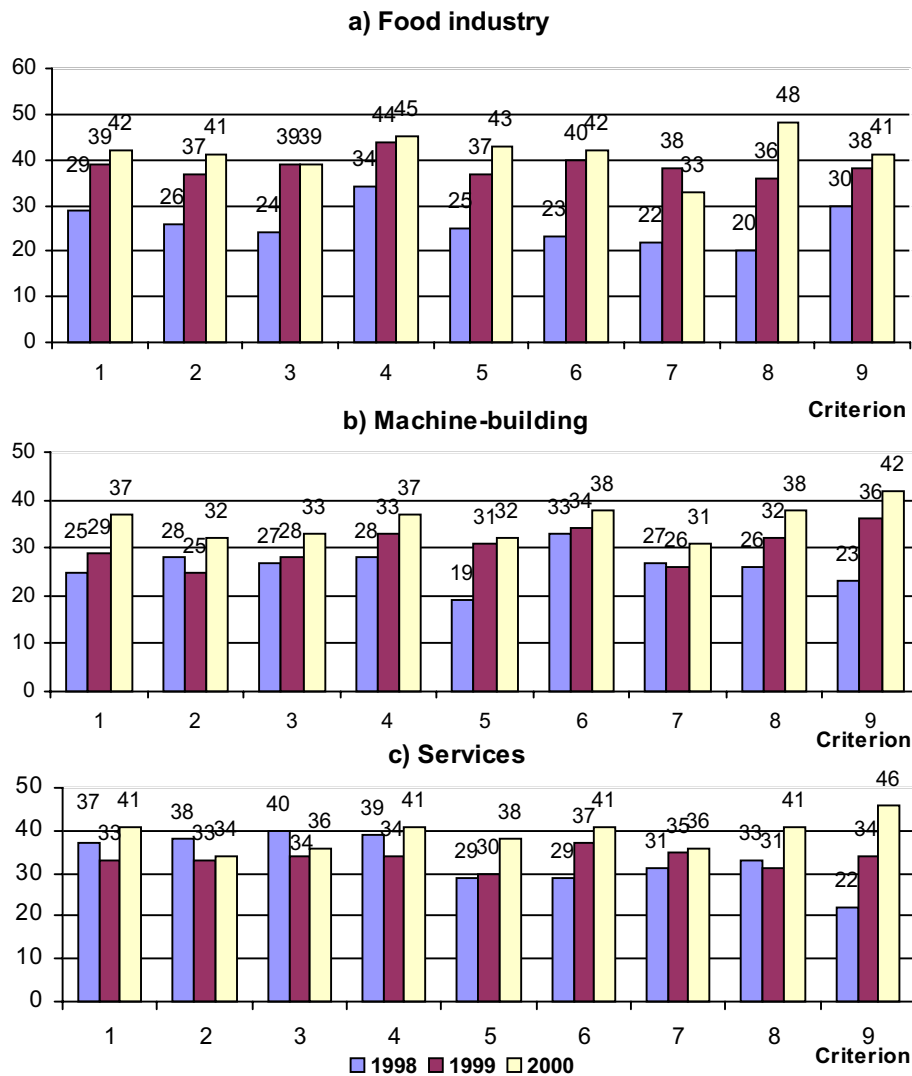


Fig.2 Assessment results (%)

Keynote speeches

The assessment results of the middle-sized enterprises are shown in Fig. 3. Today, the middle-sized enterprises, make the majority of the contestants. It is very pleasant, that in this group of the enterprises achieved the highest scores and demonstrate growth against all criteria.

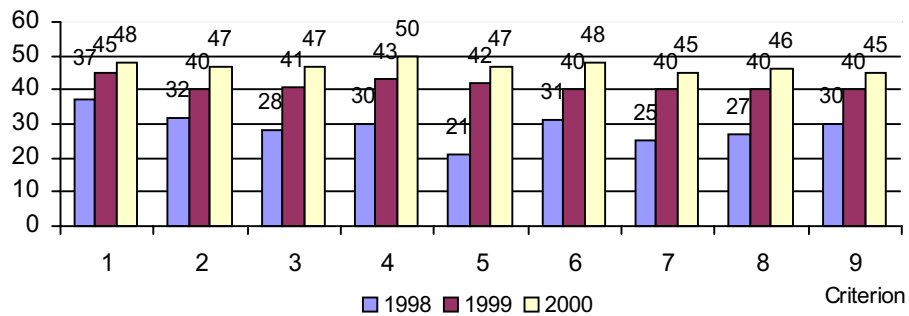


Fig.3 Assessment of medium-sized enterprises

The given results indicate that the regular self-assessments and bias assessments allow the enterprises to explicitly define areas for improvement. Recommendation form a good basis for planning corrective actions and further improvement of the enterprises. Annual assessments evidently demonstrate progress against many criteria.

As an example, Fig. 4 gives some performance indexes of “Burevestnik” company – a winner of the St.Petersburg Quality Award’2000. Fig. 4 (a) shows a growth of profitability of a fixed capital from 4,8 % up to 12,6 % achieved within three years. Volumes of product export for the same period have increased even more (fig. 4 (b)).

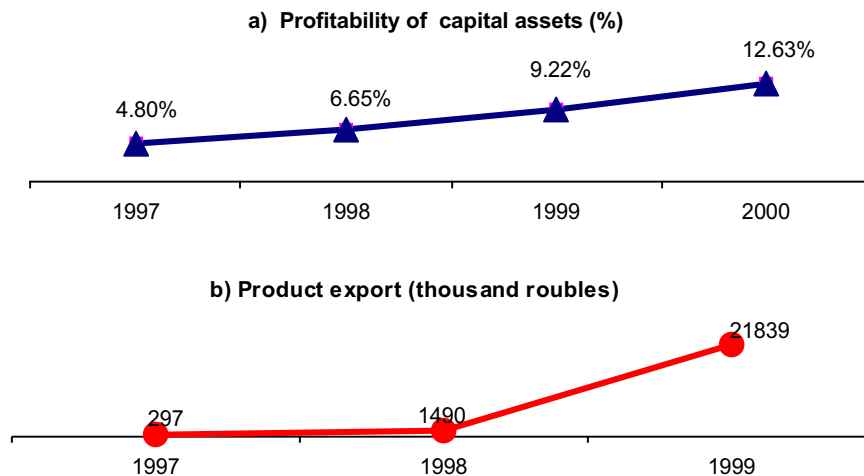


Fig. 4 Performance results of Burevestnik Company

Fig. 5 presents changes of a market share for the basic products of another winner – Predportovy Mill Company.

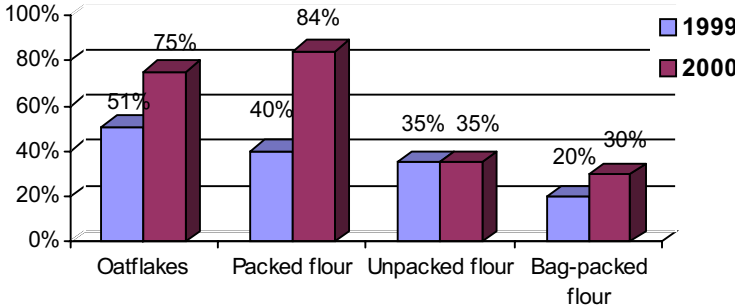


Fig.5 Market share of Predportovy Mill Company

Self-assessment enables also to improve financial results, for example, net profit - a key index demonstrating efficiency of company’s performance. Fig.6 shows growth of net profits of two winners of the St.Petersburg Quality Award: the state-owned factory Admiralteyskiye Verfy and the company St.Petersburg Dressing Factories. Major part of factories achieved good results against some other excellence model criteria as well: people satisfaction, impact on a society.

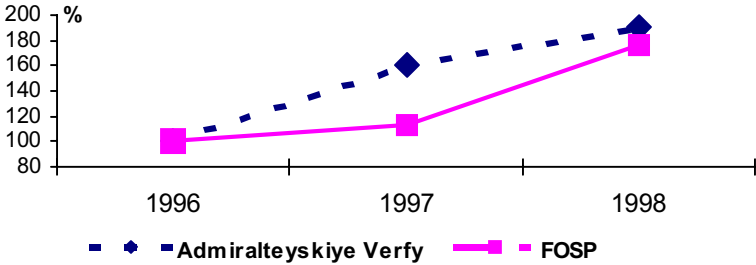


Fig.6 Net revenue (% vs. 1996)

A large group of enterprises has also succeeded toward the other criteria of the model: people satisfaction, impact on a society etc. Thus, loyalty of employees to organization’s environment is indicated by reduction of staff fluidity at the certain enterprises regularly conducting self-assessment and taking necessary measures for improvement .

Over three years, rate of temporary invalidity (“Nevskaya Cosmetics ” and “Ceramics”) has had a two-fold reduction, the accidents on manufacture (“Burevestnik”) have been excluded.

In “Ruchyi” agricultural company (a winner of the Leningrad Oblast Quality Award’2000) the harmful emissions in an atmosphere have been decreased within one year on 6,5 % - from gas boiler-houses and on 28 % - from automobile and tractor transport.

3. Influence of Quality Awards on economy of the region.

Mass competing of St.Petersburg enterprises for awards and application of selfassessment have significantly affected economy of Saint Petersburg.

Thus, in 2000 a volume of industrial manufacture has grown on 26,4 % in comparison with the previous year (growth in Russia as a whole has made 10,8 %).

Improvement of quality and product competitiveness of St.Petersburg enterprises has resulted in significant growth of exports. Fig. 7 shows the annual volumes of export and import for last three years. The diagram shows, that after the crisis of 1998 a volume of import in 1999 was reduced to 34 % and kept approximately at the same level in 2000.

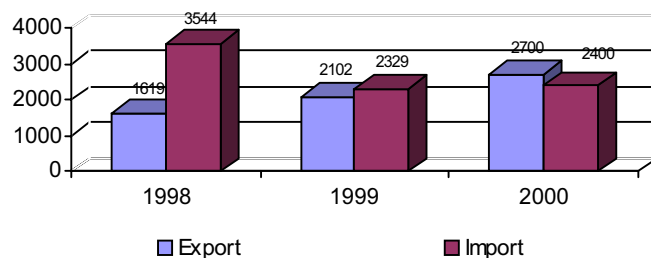


Fig. 7. Foreign trade of St.Petersburg in 1998-2000 (thousand \$ USD)

As exports for this period, they essentially have grown: in 1999 - on 44 % as compared to 1998, and in 2000 - for 28,4 %.

The measures undertaken enabled also to improve an investment climate. St.Petersburg enterprises have become more attractive for investors. As a result, investments in 2000 for the first time have exceeded 1 bln. US dollars, that is 4 times more than those in 1997.

The regional quality awards promote to implement the municipal program of reforming (restructuring) of the industrial enterprises, maintenance of their effective operation, complex solving social challenges and preservation of scientific, technological and industrial potential.

One more proof of efficiency and usefulness of regional awards is successful competing of the St.Petersburg enterprises for the annual Russian Federation Quality Award. In Fig. 8 results of contests show that the winners and finalists of regional awards regularly receive a recognition and high assessment scores at a national level.

Conclusion.

The results presented indicate that the quality award model and selfassessment are useful tools for application of TQM principles and provide a basis for economical improvement.



**Winners of the
St.Petersburg
Quality Award**

**Winners of the RF
Quality Award
(St.Petersburg)**

Baltika Brewery

Award-winner' 1997

**Krupskaya
Confectionery Factory**

Award-winner' 1998

Award-winner' 1998

**Municipal Grammar
School N 92**

Diploma-winner' 1998

Award-winner' 1998

Sevkabel

Diploma-winner' 1998

Award-winner' 1999

Award-winner' 1999

Admiralteyskiye Verfy

Award-winner' 1999

Award-winner' 2000

Pobeda/Knauf

Diploma-winner' 1998

Diploma-winner' 1999

Diploma-winner' 1998

Diploma-winner' 1999

Award-winner' 2000

**Sverdlov Machine-Tool
Factory**

Award-winner' 2000

Diploma-winner' 2000

Bolshevichka

Award-winner' 1999

Diploma-winner' 2000

Fig. 8