



EUROPEAN COMMISSION

DIRECTORATE-GENERAL III

INDUSTRY

Legislation and standardization and telematics networks

Quality and certification and conformity marking

Brussels, 17/2/95

McM/AM/IAB-III/B/3

DOC. CERTIF 95/1

Working document

on

A European Quality Promotion Policy

or

The European way towards Excellence

CONTENTS

0. Introduction	1
PART ONE: THE ELEMENTS OF A EUROPEAN QUALITY PROMOTION POLICY	5
I. Why a European quality promotion policy	5
1. The existing Community situation	5
2. The national framework	6
3. A European way towards excellence	7
II. Current and future issues	9
A. The strategic issue	9
1. The multiple forms of quality.....	9
2. The strategy of companies and countries goes global.....	10
3. The role of the product	12
B. Sectoral issues	14
1. Social aspects and employment	14
2. Small and medium-sized enterprises (SMEs)	15
3. Services	17
4. Regional policies.....	19
5. Legal and financial framework.....	19
6. The environment	19
7. Research	20
C. Relations with third countries	21
1. Industrial cooperation with other economic blocks.....	21
2. Cooperation and technical assistance.....	22
a. For the Central Eastern Europe Countries (CEECs)	23
b. For other third countries.....	23
PART TWO: THE CURRENT SITUATION	24
III. Quality in European industry	24
A. The economic point of view	24
1. The costs of quality	24
2. The benefits of quality.....	25
3. The advantages of quality	27
B. The role of EN-ISO 9000	32
PART THREE: THE EUROPEAN QUALITY PROMOTION POLICY	35
IV. The Overall Framework	35
A. A Strategic Vision of Quality for Europe.....	35
B. A European quality promotion programme.....	37
V. Proposals	38
A. Increase the commitment, motivation, and development of the human capital, and give people greater responsibility.....	38
1. The European quality award.....	38
2. European quality week.....	39
3. A European system for qualification of quality professionals.....	40

4.	Quality in educational courses	40
5.	University networks and fora.....	41
B.	Improve the European productive apparatus.....	42
1.	New methodologies	42
2.	The integration of industrial design.....	42
3.	New technologies.....	43
4.	Environmental aspects.....	43
5.	Quality in services.....	43
6.	Research-company links.....	44
C.	Develop the cohesion of all involved, around a European image and culture of quality.....	45
1.	A European quality observatory	45
2.	A customer-supplier partnership.....	46
3.	The European system of tests, certification and accreditation	46
4.	The "CE" marking.....	47
5.	The Community eco-management and audit scheme.....	47
6.	Industrial cooperation with third countries	47
7.	Technical assistance to third countries.....	47
8.	A European Charter for Quality	48
PART FOUR:	CONCLUSIONS	49

List of tables

Table 1	The European approach towards quality.....	8
Table 2	Competitiveness and the use of quality management.....	11
Table 3	Quality/price ratio and quality management	12
Table 4	The role of quality and the various countries	20
Table 5	The quality as a factor in the improvement of results	25
Table 6	The advantages of a quality system.....	26
Table 7	The benefits of a quality system.....	27
Table 8	The process of purchase of a product	28
Table 9	The definition of a quality product.....	29
Table 10	The perception of quality in Europe.....	30
Table 11	The European model of total quality management	32

0. INTRODUCTION

Until now, the Community had primarily been active in a regulatory and interventionist manner, in its efforts to create the conditions of a single market. Given the progress made by the internal market, it now appears that efforts should be concentrated on supporting policies to the activities of the European economic operators, in order to establish an overall strategy within which the various actions and initiatives can be carried out in a decentralized way, both at European and at national level.

Under article 3B of the Treaty on European Union, the Commission intends to act as a co-ordinator of the initiatives and of the projects carried out in a decentralized way, to gather and connect the existing networks. But, it does not plan to act through regulation, nor to duplicate the already existing actions. Thus, this European initiative which is to be complementary of the national initiatives, is necessary in order to be able to profit from the synergies and from the economies of scale.

At a time when the economic situation seems to be picking up again, the national and European public authorities have the responsibility and the duty to provide the European economic operators with an environment favourable to their development and to the improvement of their competitiveness, an environment which will become fully effective when the economic recovery is confirmed.

Quality, as a strategic instrument in the overall management of companies, is identified today as one of the decisive elements in the competitiveness of companies.

Quality is likewise, by nature of its importance to the European consumer and citizen, of service to society.

The notion of quality is one that has become broader over the years. Now, the word quality is associated with all the activities connected to quality management, quality assurance and quality control, certification and accreditation, to quality marks and labels, to standardization, metrology, tests, etc.

International standard ISO 8402, 1994 (corresponding to the European "draft standard " prEN ISO 8402 (94)) defines quality as *the totality of characteristics of an entity¹ that bear on its ability to satisfy stated and implied needs.*

¹Entity: that which can be individually described and considered

Note: an entity can be, for example: an activity or a process, a product, an organization, a system or a person, or any combination thereof.

This definition can be applied just as well to a product or a service, as to a company. Indeed,

- ⊗ Quality concerns the product or service to the degree that it complies with the specifications, to the adequacy of its usage, as well as to the number of attributes aiming for excellence at a competitive price.
- ⊗ But quality also represents a new strategic philosophy of company management, based on the overall commitment of the management and employees towards continuous improvement. This commitment has as an ultimate objective the customers' satisfaction, in all the phases of a product's life cycle and in all the sectors of the company.

moreover, during the European Quality Award ceremony in 1994², Mr Delors, President of the Commission, stressed these two fundamental orientations of quality in his speech:

- ⊗ the quality of the product or the service,
- ⊗ the quality of the company through an increased responsibility and awareness of the workforce.

The European quality promotion policy constitutes one of the primary and essential instruments relating to the intangible investments of the policy on industrial competitiveness.

It is directed towards companies, public authorities and consumers, and aims to establish the overall framework and the anchor point for the development of the technical and political environment essential to the improvement of the quality of products and services, the competitiveness of European companies and the quality of life of the people of Europe.

For the companies (both manufacturing and service-providing), the movement towards quality involves greater investment in reflection, in time, in training and in involvement in the quality chain.

For the public authorities, it primarily involves bringing together into a single orientation some very diversified actions. These actions, once gathered around a clear political axis, will enjoy a much greater effectiveness, "visibility" and driving effect.

²Amsterdam, 20 October 1994:

"Quality of the product or the service, through the improvement of standards and through more focused Research and Development;

Quality through the increased awareness and responsibility of the workforce. This in turn will induce more initiative, more imagination, more innovation".

With regard to consumers, educational and informational materials will have to be created, in order to involve them more directly in the general developments.

Aware of the need to implement and improve the internal market, the Commission has launched an initial definition of what the European quality promotion policy should be, in its Communication to the Council and the European Parliament "On a strategic programme on the internal market"³. Several objectives were established at that time:

- "the achievement of a greater coherence between Community legislative policy ... and procedures and instruments for the control of conformity which have been defined and put in place at Community level ,
- "the promotion of convergence on the national markets towards high quality objectives...",
- "the reconciliation and rationalization ... of the systems of marking, certification, labels, etc ... ",
- "the development of quality on the Community market both on the supply and on the demand sides as a factor of economic integration and of internal and external industrial competitiveness."

There were two broad topics underlying these objectives:

- ☒ quality as an integral and essential part of the competitiveness of the European economy,
- ☒ consistency and linkage between the various existing European and national systems in the field of quality.

One of the concerns of the policy of the European Union is therefore to avoid the continued existence of technical barriers under cover of arguments connected with quality.

Moreover, to encourage the growth of the European economy, the Commission in its White Paper, "Growth, competitiveness, employment"⁴ stressed the need to launch an initiative in the field of quality, to supplement the standardization and certification policies, and to promote activities with high added value.

This new initiative appears among the actions promoting the intangible investment announced in the Commission Communication on "An industrial competitiveness policy

³COM (93) 256 final of 2 June 93.

⁴COM (93) 700 final of 5 December 93.

for the European Union"⁵, and among the measures to be adopted in the Council Resolution of 21 November 1994⁶ on industrial competitiveness for the European Union.

Furthermore, the European quality promotion policy has to go beyond the legislative aspects which remain necessary for the correct operation of the internal market, to concentrate on the "competitiveness/quality" concept. This corresponds very closely to the policy called for by Article 130 of the Treaty on the European Union.

Formulating an innovative quality promotion policy, integrated into the new dynamic and wide ranging approach of the policy of competitiveness for the European Union, the Commission aims to centre and generalize the debate with regard to quality as follows:

- ◆ To centre the debate on quality as an element of the overall strategy of companies aiming at universal competitiveness and no longer only as a technical approach, especially concentrating on the certification of quality systems (since certification may be regarded, in many instances, as a step towards total quality management aimed at excellence).
- ◆ To generalize the debate around a new conception of quality, which covers not only the traditional technical and economic aspects, but also the social, environmental, fiscal and legal aspects, etc, and which takes into account the needs of society as a whole.

Therefore, the Commission proposes in this Communication the actions and ideas of a European quality promotion policy. This policy will ensure the European companies, particularly the small and medium-sized ones, of a favourable framework within which to implement their strategies.

To launch such a policy, it is important first to establish an inventory of the current situation and then identify what needs to be done, and how far European industry is capable of doing it, in order to clarify the priority actions to be implemented.

⁵COM (94) 319 final of 14 September 94.

⁶94/C 343/01; OJ n° C 343/1 of 06 December 94.

PART ONE: THE ELEMENTS OF A EUROPEAN QUALITY PROMOTION POLICY

I. WHY A EUROPEAN QUALITY PROMOTION POLICY

1. *The existing Community situation*

Since 1985, the Community has set about, through the "New Approach" and the "Global Approach," a reform of legislative techniques making it possible to expand these activities so as to include the "standardizers" and the "certifiers", as well as the public services and the manufacturers.

The establishment of this New Approach was only a preliminary element of the policy set up for the implementation and consolidation of the Internal Market. The existence of standards is a necessary condition, but not a sufficient one. The conditions must be created which will make it possible for the evaluation of products' conformity with the regulatory requirements to be carried out in a transparent, credible and reliable manner throughout the territory of the European Union.

To satisfy these needs, the Global Approach as regards evaluation of conformity has made it possible to establish the criteria of technical competence and the broad outline of the technical environment necessary to ensure a high degree of safety in the products put on the market.

This has led to a greater homogenization of initiatives in the private and public sectors, and therefore to better cohesion of the market itself (harmonization of legislative provisions and mutual recognition). Indeed, the participation of the economic operators in the legislative process, via standardization, and the consolidation of transparency and credibility of certification and of "CE" marking, along with the normal reduction of the expenses connected with the evaluation of conformity, have consequently strengthened the free of movement of products and consequently the very notion of the internal market, and underlined its wider scope.

The legislative aspects of a quality policy, as developed in the New Approach and the Global Approach are therefore not sufficient to cover the current and future challenges. While they are essential to the implementation of the internal market, they are not sufficient to the development of the competitiveness of European companies. Placing too much stress on the legislative aspects must not allow us to forget that the economic operators have to concentrate on the essential question of their overall management and of their competitiveness on the markets (and not only on questions of product conformity or companies' quality systems).

The Union needs to go further in its action to make it easier for the operators to take economic decisions and to create the environment favourable to growth, encouraging an increase in employment.

2. *The national framework*

In recent years, the majority of the Member States have developed national policies, more or less formalized, drawing together the various activities related to quality, in order to create the cultural, technical and organisational environment which will prompt the European companies to resort to quality as a means of improving their performance, and consequently improving the competitiveness of the European economies and the quality of life of the people of Europe.

In order to give a report on where these policies and initiatives stand, in 1993 under the SPRINT programme the Commission supported the drawing-up of the report "Quality Promotion in Europe"⁷.

This report, based on studies undertaken in the Member States, has clearly shown that companies are generally aware of the importance of quality for their competitiveness. Nevertheless, even if companies are aware of it, very often they do not have the resources (human, financial, etc.) necessary, particularly in the case of the SMEs, for the setting up and implementation of the advantages of quality methodologies. These two arguments have encouraged the public authorities to launch initiatives and policies aiming at the promotion of quality.

These various policies all have in common the key role of quality, as an element both of competitiveness and of survival for the company, but they take different approaches to formulation and implementation.

Indeed, some Member States are committed not only to the strengthening of the quality infrastructures (standardization, certification, metrology, applied research, education, etc.) but also to the promotion of the use of quality methodologies. Some of these Member States even have Quality Plans formalized by administrative provisions.

Other Member States have approaches which concentrate more on the strengthening of the quality infrastructures and leave the activities of promotion and distribution of quality to private bodies and associations.

⁷This report by Brendan Barker was carried out under the "European Innovation Monitoring Initiative" (EIMS) with the participation of:

PREST, the Programme of Policy Research in Engineering Science and Technology at Manchester University;

ISI the Fraunhofer Institute for Systems and Innovations Research of the Fraunhofer-Gesellschaft for the Promotion of Applied Research;

MERIT Maastricht Economic Research Institute on Innovation and Technology at the Faculty of Economics and Business Administration, the University of Limburg;

IKE the programme on research in economic, technical and institutional change at the Department of Production, Aalborg University.

Yet other Member States have more targeted approaches in certain specific fields, such as research, training, the environment, consumers, etc.

Nevertheless, in the majority of the Member States, there are in existence certain public programmes promoting quality (State funded) either at the national or regional levels. In general, these programmes support the carrying out of publicity campaigns regarding quality, the strengthening of national infrastructures in relation to tests, metrology and certification, the promotion of recourse to certification and standardization and demonstration of the advantages of adopting of quality systems.

Nevertheless, the full effectiveness of these initiatives is still impeded by the low level of coordination between the national policies of the Member States.

3. *A European way towards Excellence*

Even if we speak about a European economy or industry, we note that there is no image of European quality, nor any European culture of quality.

Why are this image and this European culture essential to the development of the European economy? Why the development of a European policy of promotion of quality?

A first reason is that if there are initiatives and policies at the national level, the absence of a European policy aiming to ensure their articulation and their cohesion cancels the benefits of synergies and possible economies of scale. This European policy would make it possible to avoid duplications and to share the past or current experiences in all the European countries. It is complementary of the national approaches and aims to strengthen them, not to replace them. It has to emulate the common denominators of these policies and to allow the diffusion of their positive aspects.

Another reason is that as the image of quality remains very close to the national image⁸, this can lead to a consumer judgement of goods or services based on imperfect information, which can maintain a national image of quality, and consequently create artificial difficulties for the free movement of the products. The development of a European quality image, of a European quality culture as well as the dissemination of information on quality would make it possible to reduce this distortion and, consequently, to strengthen the internal market.

A third reason for the need to have a European policy on the matter is the "Europeanization" of companies. With the setting up of the single internal market, European economies are increasingly interdependent. Companies have the European market as an outlet, and no longer their national market alone. To assist the companies in

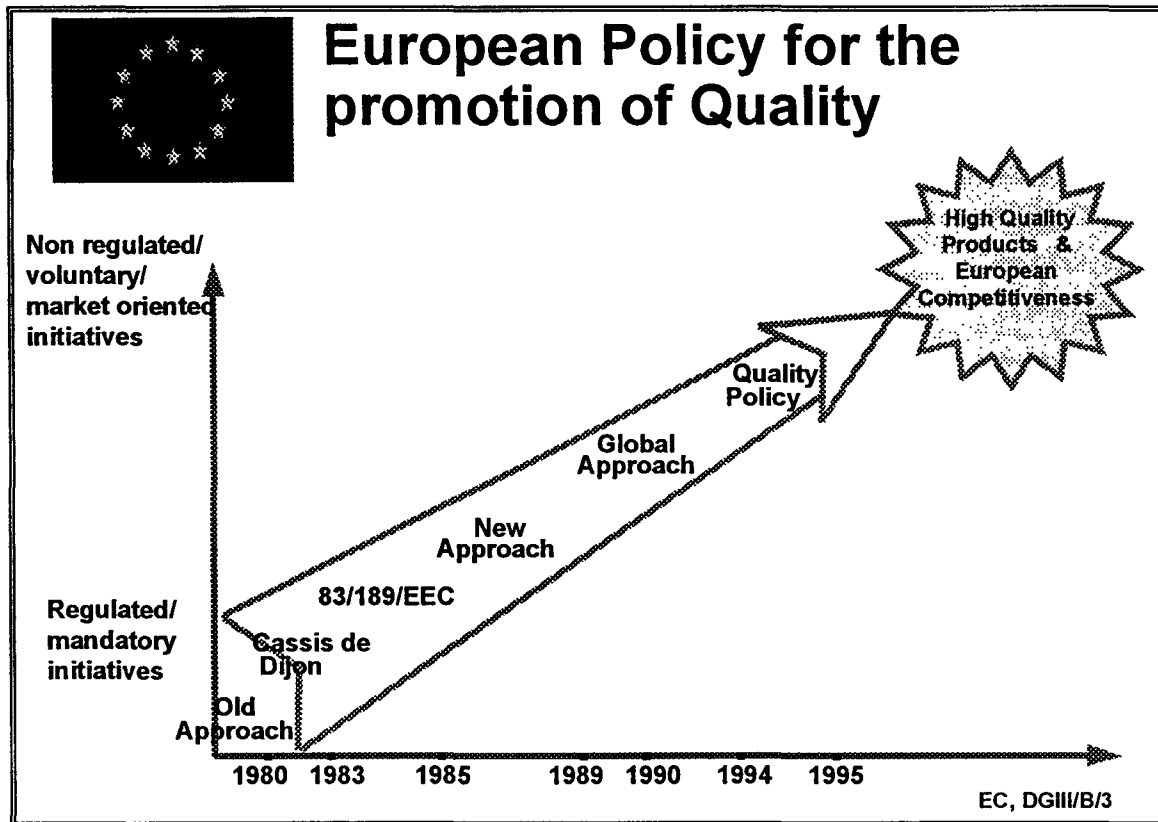
⁸Cf. table 10.

their approach towards quality, it is appropriate to offer them a harmonized European framework supplementing the national environments. The European policy has to transcend the existing national policies and produce an exponential multiplier effect.

Ensuring more effective cohesion of the various actions, initiatives and national plans, this policy constitutes a step ahead in relation to the other initiatives that the Commission have already undertaken in the institutional field, in particular in standardization and certification, and presents a possible way forwards for the European economy towards excellence.

Table 1 highlights the European approach towards quality.

Table 1 - The European approach towards quality



II. CURRENT AND FUTURE ISSUES

A. The strategic issue

1. *The multiple forms of quality*

According to the OECD: "In many respects the factors which determine today the competitiveness of the companies are only the various aspects of the organization of the company ..."⁹.

The factors which influence the competitiveness of companies (taking the concept in its overall sense, not only economic, but also social and environmental), have changed in relative importance as a result of all these developments and of the increasing internationalization of the market.

In the light of the current major structural changes, where to be competitive is a question of survival for companies, traditional management methodologies can no longer turn round companies' fragile economic situation. New management procedures and methodologies must be found and developed, the available resources must be used more efficiently. A new culture must be created, covering the companies, services, public administration, people in general, all of society.

Quality as an element of the competitiveness of the European economies is at the heart of the relations between supply and demand. It affects all sectors (industry, services) and involves the producers just as much as the customers and the public administrations.

It covers several aspects: economic, social, technical, environmental ... and comprises the two main orientations, already referred to¹⁰:

- the role of quality as an element of companies' strategic management
- the quality of the product or of the service.

The recourse to the new methodologies of total quality management is for the leaders of European companies¹¹ a privileged means to help them in the current economic challenge, which involves not only dealing with changes, but especially anticipating them.

⁹Determining technology and the economy, the decisive relationships. OECD 1992.

¹⁰Cf. Mr Delors's speech at the time of the award of the European Quality Award in Amsterdam on 20 October 1994.

¹¹One of the conclusions of the conference of the EFQM in Amsterdam quoted in the previous note.

2. The strategy of companies and countries goes global

At the present time when market conditions are changing quickly and reference points are more difficult to find, the management of companies needs to include the definition of overall strategies which use, inter alia, new methods of quality management integrated into the whole company. These overall strategies are based on total management commitment, customer satisfaction, the continued improvement of processes, and no longer on management strategies which are partial and too targeted on specific questions (such as, for example, quality assurance which remains a technical response to a technical problem).

The advantages of quality for the competitiveness of a company, or of a country, are already known (even if all aspects have not yet been studied) and are used in a number of studies at worldwide level. The study carried out for the Commission on the economic aspects of quality (already quoted), does reveal the adoption of product/service quality policies to be one of the components commonly accepted as having a significant influence on the profitability of a company, and thus one of the components of its competitive position.

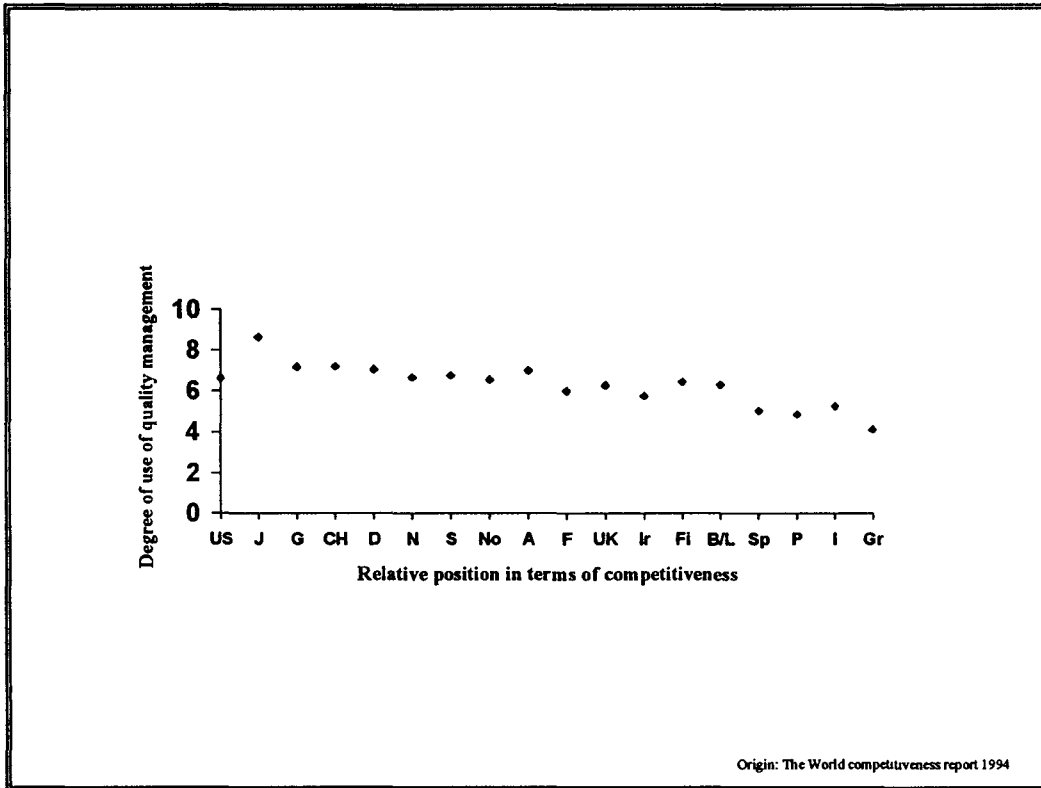
Quality also influences the competitiveness of a country. The "World Competitiveness report," which appears each year, makes quality one of the elements explaining a country's competitiveness. This report comprises a multidimensional analysis, breaking up competitiveness into interpretative factors (finance, government, science and technology, etc.), including the factor "Management quality and efficiency". Both main orientations of quality (quality of the product or service and quality of the company) are included in this report, as factors explaining a country's competitiveness.

Table 2, which shows elements of this report, demonstrates clearly the direct relation between the competitiveness of an economy and the degree to which the economic operators make use of methodologies of quality management. That means, that according to the model used by this report, the more companies use quality management methodologies, the more powerful the national economies become.

On the horizontal axis, countries are presented according to their relative position in terms of world competitiveness¹². The vertical axis represents the degree of use of quality management methodologies by the economic operators, on a scale of 0 to 10.

¹²World competitiveness is, according to the "World Competitiveness Report 1994", the ability of a country or a company to proportionally, generate more wealth than its competitors in world markets.

Table 2 - Competitiveness and the use of quality management



More generally, as indicated in the Commission Communication on an industrial competitiveness policy for the European Union, "*Today the measures taken to implement industrial policy must take account of a series of new factors: persistent unemployment ..., the changes in the international context ..., the emergence of new technologies, environmentally sustainable development implies ..., mounting competition ..., the sharp monetary fluctuations ... the new dimension of the internal market, where the emphasis has now shifted from completion to effective and efficient operation, ... greater privatization, more effective regulatory methods and the new role of the public services ...*".

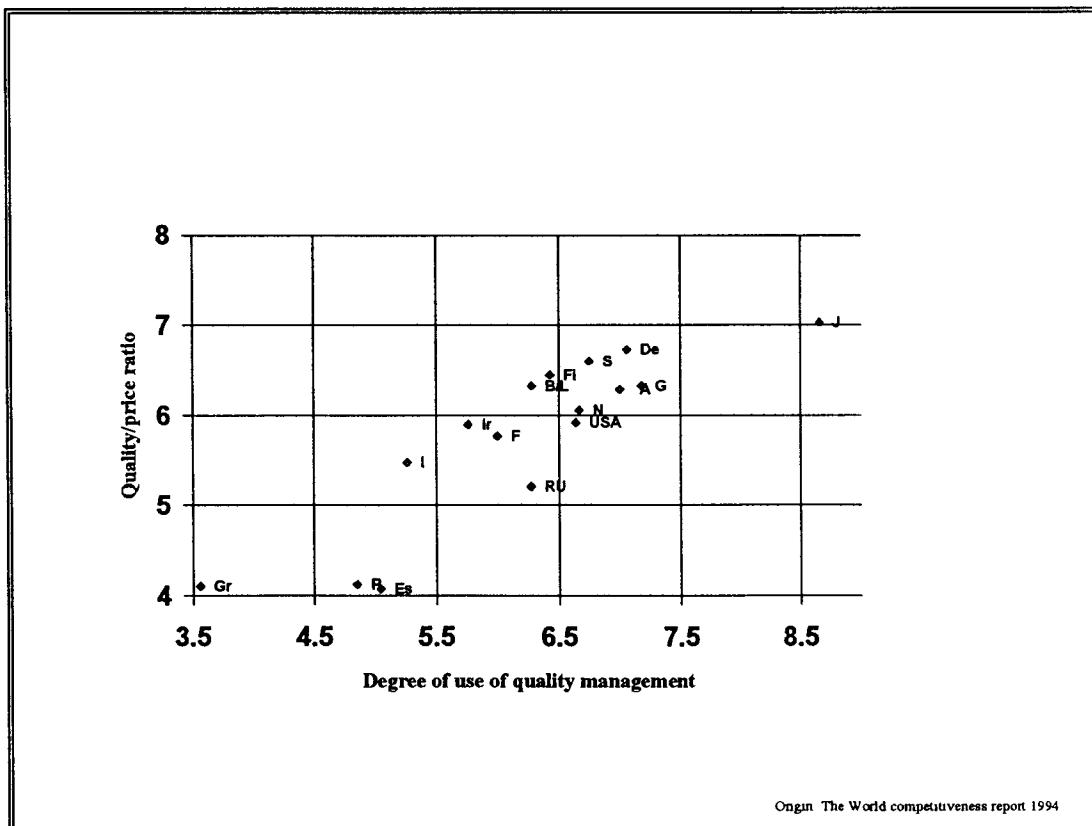
Consequently, an overall strategic approach for the company which integrates quality, taken in this new overall sense as an element of strategic management, will make it possible to intervene successfully in all these dimensions and improve their results.

3. *The role of the product*

Quality in its overall concept is compatible and complementary with regulatory obligations. It constitutes their logical extension. If product conformity with essential requirements is necessary and obligatory for reasons of health, safety and environmental and consumer protection, it is not necessarily enough to meet the needs of the market and therefore to deal successfully with competition.

The ability to succeed on world markets is based today on the quality of the products, on modern organisational structures, on effective manufacturing technologies, on prompt availability of products and on quality after-sales service.

Table 3 - Quality/price ratio and quality management



It is possible to state that product quality¹³ has today become the key factor in the purchase of products, and consequently one of the dynamic factors in the competitiveness of companies. In addition, adequate integration of quality as a strategic element of management can enable companies to develop their image as quality producers as well as the image of their products as quality products, to increase their value added, to satisfy their customers better and finally to be more efficient, more profitable and consequently more competitive.

Table 3, also developed from information given in the "World Competitiveness Report 1994," makes it possible to visualize the link between companies' generalized use of quality management methodologies and the quality/price ratio of the products. Indeed, the more companies have quality methodologies integrated into all their functions, the more they control and develop the quality of the products while at the same time reducing production costs.

This shows the need to develop the promotion of quality throughout the European Union. Insofar as this policy will have a beneficial impact on the improvement of the quality of the products and on the consumers' information, this approach also answers the needs of the consumer protection policy as described in Article 129 A of the Treaty on the European Union, as well as the European citizens' concerns in terms of quality of life.

¹³Eurobarometer 41, Quality Labels, carried out by INRA.

B. Sectoral issues

1. *Social aspects and employment*

Quality today is no longer seen as a function under the exclusive responsibility of a company's experts and technicians, but rather as a collective responsibility of all the personnel of the company: from management to labour, starting with senior management.

The Commission took into account the modern tendencies which offer the prospect of a new quality of life, in its Green Paper on European Social Policy¹⁴. Indeed, the market, which increasingly requires quality goods and services, is dependant on innovative and more open forms of management and organization, on improvement of working conditions and on more democratic forms of participation, with regard both to labour and to capital.

The time of technocratic management which led to mass production and to Taylorian methods of management is over.

Today, a more humanistic style of management with a lower number of levels of decision (certain companies have gone down from 8 levels at the end of the eighties to 4 today), where the individual is at the centre of all changes, is taking form and will be a determining factor for the years to come.

These new forms of management, which imply production systems based on quality involving increased skills and qualifications for the personnel, require fundamental changes in the management of human resources, education and training.

Along the same lines, companies will more probably choose a strategy giving priority to high wage levels, but seeking increased participation and responsibilities from the workers. The "quality" of the human resources, in terms of skills and qualifications, thus constitutes the key factor to guarantee the successful implementation of quality strategies for the company.

The introduction of a quality strategy into companies has effects on employment and on the management of human resources (job enrichment, motivation and behaviour of the employees, new skills required, changing role of the trade unions, change in the trades and the sectors mainly concerned, etc.).

¹⁴COM (93) 551 final, of 17 November 1993

The Commission therefore decided to finance a study concerning the social impacts related to the implementation of a quality policy in European industry¹⁵. The results of this study will be available towards the end of 1995.

Several initiatives have already been launched in this field by the Community.

ADAPT¹⁶ is intended to contribute to the adaptation of the work force to industrial change and to improve the operating mechanisms of the labour market with a view to reviving growth, employment and the competitiveness of companies in the European Union. The priorities indicated include the "adaptation of the manpower at risk, by way of vocational training and retraining, guidance and consultancy, in particular for the workers carrying out tasks in sectors in development, especially with regard to certain changes concerning: ... the administration and the organization of work (total quality strategies), ...".

The Community programmes FORCE¹⁷ and COMETT¹⁸ concern vocational training.

Thus, the implementation of the European quality promotion policy aiming at the enrichment of the quality of the products put on the market, the improvement of the efficiency of the companies and more generally the quality of life of the people of Europe, has to be based on people as the most important component of the European productive apparatus.

2. *Small and medium-sized enterprises (SMEs)*

SMEs, by their number, their volume of employment, their turnover, their subcontractor function and so on, constitute an essential vehicle for the success of European industry as a whole.

Aware of this importance, the Community has already set up a number of initiatives concerning quality for small and medium-sized enterprises. The PRISMA Community initiative for the creation and reinforcement of quality infrastructures is an example. This initiative concerns the preparation of companies with a view to the single market. Its aim was to support the efforts of development of the certification and testing infrastructures and to prepare the SMEs to the opening of public procurement and to the suppression of the restrictions¹⁹, by way of technical assistance.

¹⁵94/C225/09, OJ n _ C225 of 13 August 94.

¹⁶Community initiative within the framework of the Structural Funds.

¹⁷Community programme on continuous vocational training.

¹⁸Community programme on education and training as regards technologies.

¹⁹Within the meaning of Article 115 of the Treaty establishing the European Economic Community.

Following the Council Resolution of 21 December 1989 concerning a Global Approach to conformity assessment, the Commission launched a study concerning all companies in the European Union and comprising two phases, which will finish towards the end of 1995:

- an inventory of the entities providing testing, calibration, inspection, certification and quality assurance services (TICQA I),
- an analysis of companies' needs (in particular by size of company) and of the supply available in this field, as well as an estimate of the infrastructures necessary to meet their needs (TICQA II).

The aim of this study is to put forward measures aiming to reduce: "*- possible differences in the level of development in the Community and in the industrial sectors with regard to quality infrastructures (especially calibration and metrology systems, testing laboratories, certification and inspection bodies and accreditation systems) such as are likely to have a adverse effect on the operation of the internal market ...*"²⁰

Under Euromanagement, the Commission has launched a pilot action "Standardization, quality, certification, hygiene and safety" having as its dual aim:

- to evaluate, from a representative sample, the difficulties of adjustment of the SMEs,
- to help the SMEs taking part in this action, with an advisory audit carried out by experts given the task of identifying their specific needs for adaptation, and of advising them appropriately.

Recently the Commission presented, in its Communication²¹ *to the Member States fixing the guidelines of the operational programmes or of the global grants that Member States are invited to propose within the framework of the Community Initiative on the adaptation of the small and medium-sized enterprises to the single market (the SME Initiative)*, a number of actions. These actions aim to help them to adapt to the single market and to increase their competitiveness, by stimulating the development of quality strategies in these companies.

Thus, one of the priority fields of this Community SME Initiative is named: "Improvement of the production and organization systems of SMEs, primarily by means of intangible investments concerning the adoption of a strategy of total quality, the promotion of technological innovation, management and organization and the use of advanced systems of communication and information". This programme now replaces the PRISMA programme.

The actions envisaged in the field of quality for SMEs can be divided into three major elements:

²⁰90/C10/01, OJ n° C10/1 of 16 January 1990.

²¹94/C 180/03, OJ n° C 180/10 of 01 July 1994.

- ⊗ technical assistance to the SMEs for the putting into place of quality systems;
- ⊗ creation and reinforcement of quality infrastructures;
- ⊗ facilitation of SME access to these infrastructures.

3. *Services*

The provision of services of all kinds will become, according to all indications, "the industry of the years after 2000." The various debates about the information society confirm this prediction.

The debate on quality has only very seldom concentrated on service activities, but given a supply which is increasing and the customers' requirements which are also rising continuously, the need for it is becoming evident. Moreover, often the quality of a product is not only the result of proper manufacture but also comes from the quality of the services which are associated with it, in particular with regard to the services of the Information and Telecommunications Technologies (I&TT).

<i>The case of the public services</i>	
The present situation	Never have the public services been subject to such pressures to provide quality services as is the case today. This increasing demand for quality services has been accompanied by an increase in competition in sectors which traditionally have been the domain of monopolies. As if these two new elements were not enough to upset the public services sector, a third one, even more constricting, has been added: the reduction in the contribution from public funds.
Issues	In these circumstances, one of the rare instruments ²² that services have available to them to respond to these new challenges is the recourse, just like industry, to modern and efficient management methodologies, which integrate the satisfaction of customers (internal and external) as a fundamental mission, which reduce bureaucracy and which function better, while at the same time being less expensive.

²² A report and a book which were published in the United States show clearly the way to be followed:

- "Reinventing Government. How the entrepreneurial spirit is transforming the public sector," David Osborne, Plume;
- "Creating a Government that Works Better and Costs Less", Report by Vice-President Al Gore.

<i>The case of the information society</i>	
The present situation	<p>In the very new field of the information society, the questions associated with quality take a particular turn with the problems arising from the Information and Telecommunication Technologies, and may be decisive in the success or the failure of the European approach.</p> <p>The technologies used become increasingly complex, and so it becomes increasingly complicated to ensure the quality of the product or service. It is appropriate to integrate the concept of quality right from the design of the product and in all its functions. The adoption of management methodologies by quality can also help the integration of this aspect.</p>
Issues	<p>The quality of the "container" (infrastructures, terminals) and the quality of the "contents" (information) are of crucial importance for the development of the information society in Europe. The interlinking of information technologies and with those of telecommunications in the European economy adds additional complexities, which makes the use of quality methodologies essential to ensure an optimum operation.</p> <p>Moreover, as this involves open systems (the motorways of information) it is only possible to ensure overall coherence at the European level.</p>
The existing initiatives	<p>A number of actions, connected with the new information technologies and concerning quality are developed in this programme, such as ITAQUA ("Quality management support of SMEs"), under the ESPRIT programme²³.</p> <p>The SPRINT programme²⁴ also develops actions in the field of quality, through networks of research and technology organizations dedicated to quality, its working party on quality, and so on.</p> <p>The CTS (Conformance Testing Services) programme promotes the availability of services for testing conformity to a standard, harmonized and recognized reciprocally throughout Europe (currently only in the field of Information and Telecommunications Technologies).</p>

²³European strategic research and development programme relating to information technologies.

²⁴Strategic programme for innovation and technology transfer.

4. *Regional policies*

The adoption of a European quality promotion policy has all the conditions necessary to serve as a lever for the reduction of the differences between the regions in terms of quality infrastructures, in particular test laboratories, certification, consultation and training bodies, and so on. Moreover, it will also be able to contribute to reducing the differences in levels of development which can exist in the Community and which are likely to have a negative effect on the operation of the internal market.

The study previously referred to in the chapter on the SMEs, and including the two phases TICQA I and TICQA II, will make it possible to analyse the differences in terms of quality infrastructures and to put forward measures aiming to reduce these differences.

By the adoption of a positive incentive policy, those who have the greatest need to progress will progress proportionally more and faster than those who are currently ahead.

5. *Legal and financial framework*

While the strengthening of the market concept for products is important for companies, it is not enough to make them competitive and to give them the means of growth. The Community needs therefore to go further in its action to facilitate the whole mechanism by which the operators make economic decisions.

It is obvious that the fields of taxation and of regulations on social matters, of rights of establishment, provision of services or competition, have an effect of cardinal importance on the environment in which companies have to pursue their activities, and that these elements will have to be taken into account in due course, although this will be by the traditional regulatory means.

6. *The environment*

The approach followed by the legislator in the environmental field has always been associated with a strong interventionist attitude on the part of the public administrations.

The adoption of Regulation (EEC) No. 1836/93²⁵ allowing voluntary participation by companies in the industrial sector in a Community eco-management and audit scheme goes completely against this tradition.

From the point of view of Industry, it is desirable, and even essential, that the system of management of the environment should be integrated directly into the overall management

²⁵OJ n _ L 168/1, of 10 July 1993

system of the company, ensuring in particular its linkage with the quality system in order to avoid duplication of resources. Quality being a way of managing better the assets and the resources of a company, the environment must not be excluded from this approach.

7. *Research*

In the fourth framework programme for Community research, technological development and demonstration projects (1994-1998)²⁶, the Commission listed a number of guidelines including one which affects particularly the development of quality: the specific programme of research and technological development in the field of standardization, measures and tests. These actions follow on from those developed in the previous programmes.

This programme aims to improve the European economic operators' competitiveness, by encouraging research and the development of new methodologies of production management, better methods of measurement and control of products, as well as better methods and infrastructures to enhance mutual recognition in Europe.

²⁶OJ L126 of 18 May 1994

C. Relations with Third countries

As indicated previously, there is a direct relation between the level of awareness of quality and the role of quality as a strategic element in the management and competitiveness of economies. Consequently, cooperation with regard to research, and the sharing of experiences amongst the various sectors, can only be beneficial for all.

1. *Industrial cooperation with other economic blocks*

Today, it is quite clear that the Japanese success is rather associated with their capacity to produce "quality" (see table 4), than to strategies of reduction of the product prices, or to over-interventionist policies on the part of the Japanese public service (in particular of MITI). Indeed, quality has been integrated since the seventies, by Japanese managers, as an element of the strategic management of their companies, of their own responsibility and not only as a technical question of the responsibility of the technical managers in their companies.

Table 4²⁷ -The role of quality and the various countries

Country or Region	Role of Quality in management	Level of awareness of quality
Japan	Quality is the key element of overall management	Excellent
The United States	Quality is gaining in importance	Good
Europe	Quality is seen as a special professional problem of management. In certain countries, authorities are taking measures to promote quality	Not sufficient
Central and Eastern European countries and certain other third countries	Quality is seen as a specific problem generally linked to the workers.	Limited
Other countries	Quality is seen as a secondary problem and not as an element involving management.	Occasional

The principal reasons for Japanese success can be listed as follows:

²⁷Source: "Quality Promotion in Europe"

- commitment of the management;
- strong personnel motivation;
- high level of personnel training;
- favourable institutional environment;
- favourable conditions for university/industry relations, the development of quality techniques and methodologies.

Since the seventies when for the first time the quality of the Japanese products surpassed that of Western products, the United States started making a considerable effort in the area of quality, most notably with regards to promotion and applied research.

The creation by President Ronald Reagan in 1987 of the Malcolm Baldrige Award to encourage and alert American industry to the importance of quality (with an allocation of approximately 5 million dollars in public funds) and also to act as a counter-balance to the Deming Prize, already in existence in Japan for years, the creation of the Federal Institute of Quality for the American Federal Administration, along with the financing of applied research activities regarding quality (with a total of 10 million dollars from the government i.e. 50% of the total amount invested), are several examples of this effort.

Under these conditions, the improvement of industrial cooperation between the economic sectors in the area of quality, through round tables, missions and joint studies, can only result in an increase in the synergy of actions performed on an individual level.

2. Cooperation and technical assistance

On 10 October 1990, the Commission approved the principles of an external policy regarding information, cooperation and technical assistance in the area of standards, tests and certificates. The approach outlined in this policy is characterized by the negotiation of mutual recognition agreements between partners having the same degree of technical development, and by technical assistance for other non-Member countries.

The increase in the requests for technical assistance on the part of third countries is connected with the realization that quality is becoming increasingly essential, even critical, for their economic development.

In addition, many countries have noticed that quality plays a very important role in their industrial and technological development process. Accordingly, they are launching more and more national quality programmes which are having a significant impact on their economies, and in terms of their requests for aid, support, and reinforcement. Technical assistance for these countries will strengthen the initiatives with regard to quality, provided that their complementarity and compatibility are ensured.

The ultimate objective of the co-operation and technical assistance projects is to give to the third countries, the knowledge and means necessary for the planning, development and adoption of their own national systems of standardization, certification, metrology, quality management and quality assurance. The adoption of these systems will also facilitate and increase trade between third countries and the Community.

a. For the Countries of Central and Eastern Europe (CEECs)

For the past few years under the Phare Programme, the European Union has put into action programmes of cooperation and technical assistance, either on a regional level (PRAQ 91 and PRAQ 92), or on a bilateral level, for the countries of Central and Eastern Europe, directed towards helping them adapt their structures to the new market conditions, stemming from their move towards democracy.

Since 1990, the sums allocated to the technical assistance programmes for these countries, either already carried out, currently in effect or in the launching phase, has exceeded 18 million ECU.

One of the most important aspects of these programmes lies in the necessary structural change of their systems, which were previously based on a mandatory approach, towards an approach in which quality is an element of the companies' economic strategy.

Within this philosophy, the Commission is currently conceiving, under the TACIS Programme, programmes of cooperation and technical assistance to Russia and the other countries of the former Soviet Union.

The adoption of this quality promotion policy will have a positive impact on these countries in so far as their structures and companies are able to absorb these new management concepts.

b. For other third countries

Technical assistance to other third countries has the same basic characteristics as those stated for the CEEC countries; therefore it has technology transfer as its basis, and makes it possible to share the European experiences. Nevertheless, it differs in so far as the starting point of the infrastructures of these countries, in terms of economic structures, is very different (market economies as opposed to centralized economies).

Since 1990, the sum allocated to the technical assistance programmes for these countries, either already carried out, currently in effect or in the launching phase, has exceeded 25 million ECU.

PART TWO: THE CURRENT SITUATION

III. QUALITY IN EUROPEAN INDUSTRY

A. *The economic point of view*

Proper quality management can give companies significant reductions in the costs of non-quality²⁸, as well as increasing the quality of the products manufactured and the profits realized by the company. Indeed, a quality approach in companies constitutes a durable means of keeping markets and combatting the relocation of jobs to low-wage countries (these economic aspects of quality are described in greater detail later in this communication).

Among the elements which influence competitiveness, the aspects connected with the management of quality and with efficiency are revealed to be key questions for the economy of a company or of a country. The strictly economic or financial aspect, i.e. the question of the cost/benefit of quality, forms part of these key questions (the strategic issues will be covered later in this communication). The more qualitative aspect of the advantages of quality in both internal (stronger involvement of the employees in the work, etc.) and external terms (improvement of the image of the company, etc.) are also part of the points which are important for the economy of a company or a country.

1. *The costs of quality*

The costs of quality cover two related concepts: the cost of quality and the cost of non-quality. The first concept includes all the investments connected with the introduction of quality into the company (adoption of a quality system, etc.). The second concept corresponds to the direct and indirect costs both internal (rejects, reworking, etc.) and external (refused products, loss of customers, etc.). Certain costs are directly quantifiable, others require a qualitative analysis.

One of the first questions raised by the calculation of these costs is the lack of recognized calculating methods. A study carried out for the Commission²⁹ showed that there was no universally recognized single approach to collect the necessary financial data.

²⁸ Certain studies in the European Union (a study on the "Economic aspects of quality" performed by the EFQM in 1994 at the request of the Commission, two studies in France, in 1983 and in 1990, requested by the Ministry of Industry), indicate that the costs of non-quality (everything which is done badly and has to be redone) are significant and can reach more than 10% of the turnover of the companies.

²⁹ Study on the "Economic aspects of quality" performed by the EFQM in 1994, followed by an article in PANORAMA 94: "Economic aspects of quality"

In particular, when data on the costs of quality are collected and analysed, there would be uncertainties both about the accounting methods used for collection and for analysis, and about the possibility of making comparisons between companies. This seems to be particularly apparent with regard to Europe-wide studies. It would appear that the specialists in quality management tend to use collection and analysis methods which do not always adhere to the principles of accounting. This study gives consideration to whether such a situation can continue if the costs of quality become a substantial item in the revenue and expenditure accounts. There does indeed seem to be a lack of information available on the subject, unlike the situation in Japan.

A second study³⁰ in the same Member State concerning SMEs, found an average "cost of non-quality on turnover" of 4.2%, and an average "cost of non-quality on value added" of 9.7%. The cost of non-quality was subdivided into cost of identified anomalies (61%) and cost of the quality function (39%).

According to another study³¹, confirming the previous results, the percentage accounted for by a company's total quality costs in its turnover would average 9.8% in one of the Member States.

2. *The benefits of quality*

A number of facts show that total quality management (TQM) is strongly associated with improvement of financial results, in particular through its impact on the reduction in the costs connected with non-quality³².

To obtain greater clarity on the various aspects of quality, the Commission had two surveys³³ carried out in the European Union (through Eurobarometer). One covered the opinions of the general public, of "the man in the street," the other was directed to companies.

According to this second survey³⁴, the management of quality is one of the important factors leading to an improvement in results. To the question: "In the case of your company, would you say that better organization of quality management is or would be a factor in an improvement of the results?", answers were very positive. 91% of persons

³⁰Study carried out in France in 1983 by the APQ "Evaluation of the costs of non-quality in small and medium-sized industrial and commercial enterprises," at the request of the Ministry of Industry

³¹Study carried out in France in 1990 by Repères at the request of the Ministry of Industry

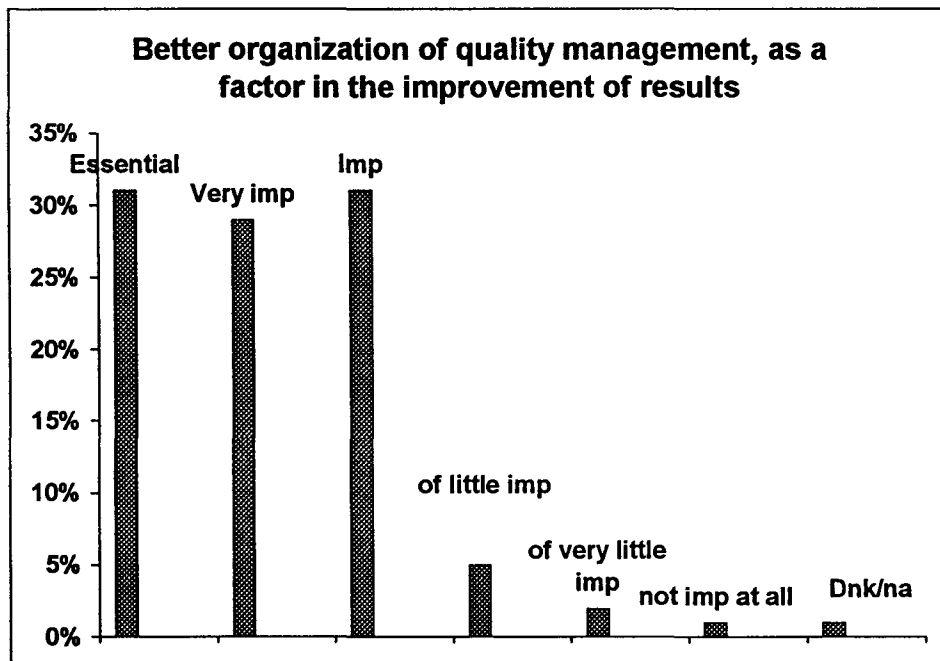
³²Study on the economic aspects of quality, EFQM, 1994

³³Operation 41 of the Eurobarometer in 1994 (Eurobarometer 28 and Flash Eurobarometer 41, Quality Labels)

³⁴Flash Eurobarometer 28, carried out by EOS Gallup

surveyed answered that better organization of quality management is a factor in improvement of the results. These answers are outlined in Table 5.

Table 5 - The quality factor in improvement of results



The financial impact can be more precisely calculated from a cost/benefit analysis. Indeed, 40% of the industries which have established a quality system carry out a systematic evaluation of its cost/benefit ratio (against 20% who carry out an occasional evaluation and 28% who do not evaluate it at all). Additionally, in this survey, 37% of persons questioned were unable or unwilling to quantify the financial effect of their quality system.

The median³⁵ of the net result attributed to the quality systems was calculated by taking account of the companies declaring a loss (14%) as well as the companies declaring a profit (85%). This median of the benefits obtained lies at 6.2% of their turnover.

This figure shows that the question of the cost/benefit of quality is therefore an essential point for the companies. The setting up of a homogeneous European framework for the

³⁵The median is more representative of the majority tendency than the average.

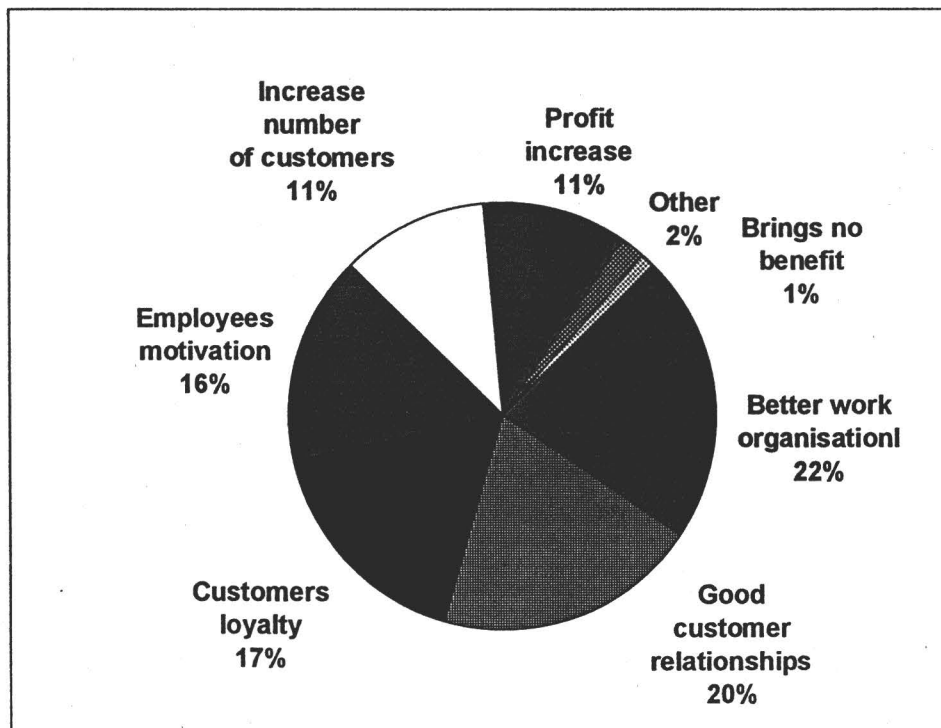
gathering and analysis of quality-related data has become necessary (certain calculation standards already exist in certain of the Member States³⁶) and has to be encouraged.

3. *The advantages of quality*

This survey³⁷ also lead to preliminary findings on the advantages of quality in Europe, through the establishment of quality systems. Analysing the advantages obtained by the quality systems established in industries (see Table 6), it is possible to identify two groups:

- two internal advantages relating to the way in which the company functions:
better organization of work and better motivation of personnel,
- two external advantages relating to the customers' reactions:
good relations with the customers and customer loyalty.

Table 6 - The advantages of a quality system

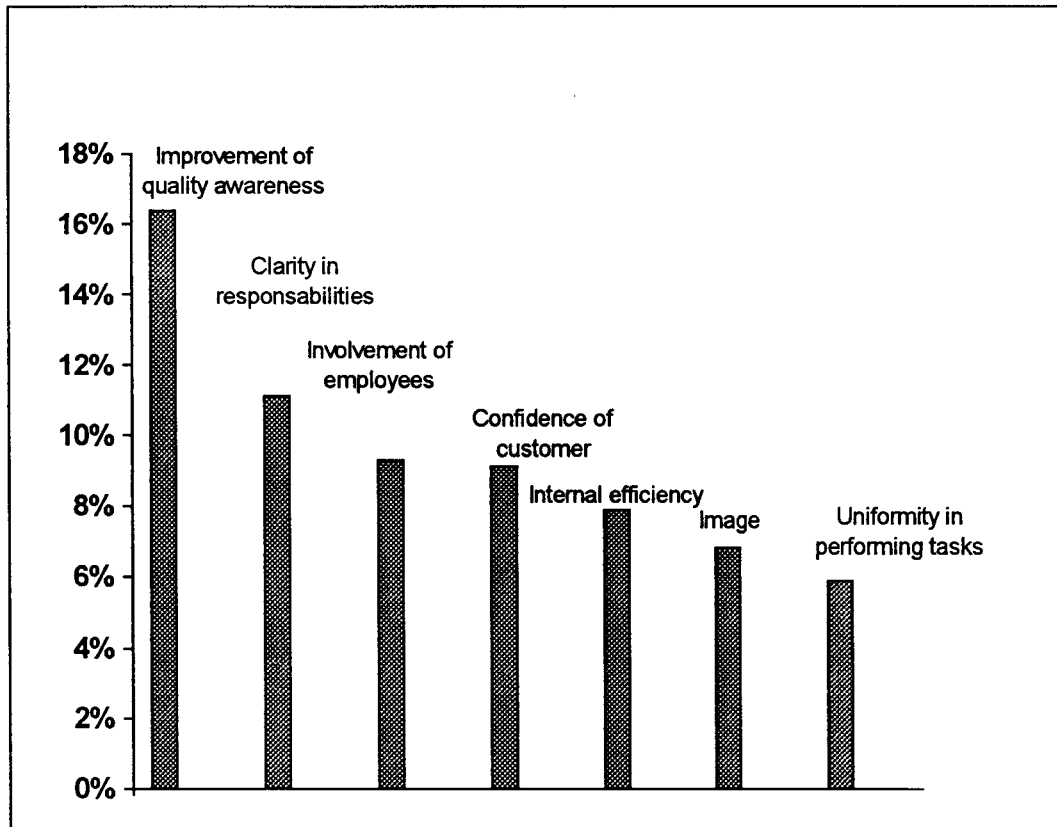


³⁶For example NF X 50 126 (86) in France, NP 4239 (94) in Portugal, BSI in the United Kingdom, etc...

³⁷Flash Eurobarometer 28 carried out by EOS Gallup

Another study carried out for the Commission³⁸ in the European Union shows the seven most important benefits of a quality system (according to the ISO 9000 standards) indicated by the companies questioned. These benefits are shown in Table 7.

Table 7 - The benefits of a quality system



Here too, the advantages cited fall more in the qualitative field.

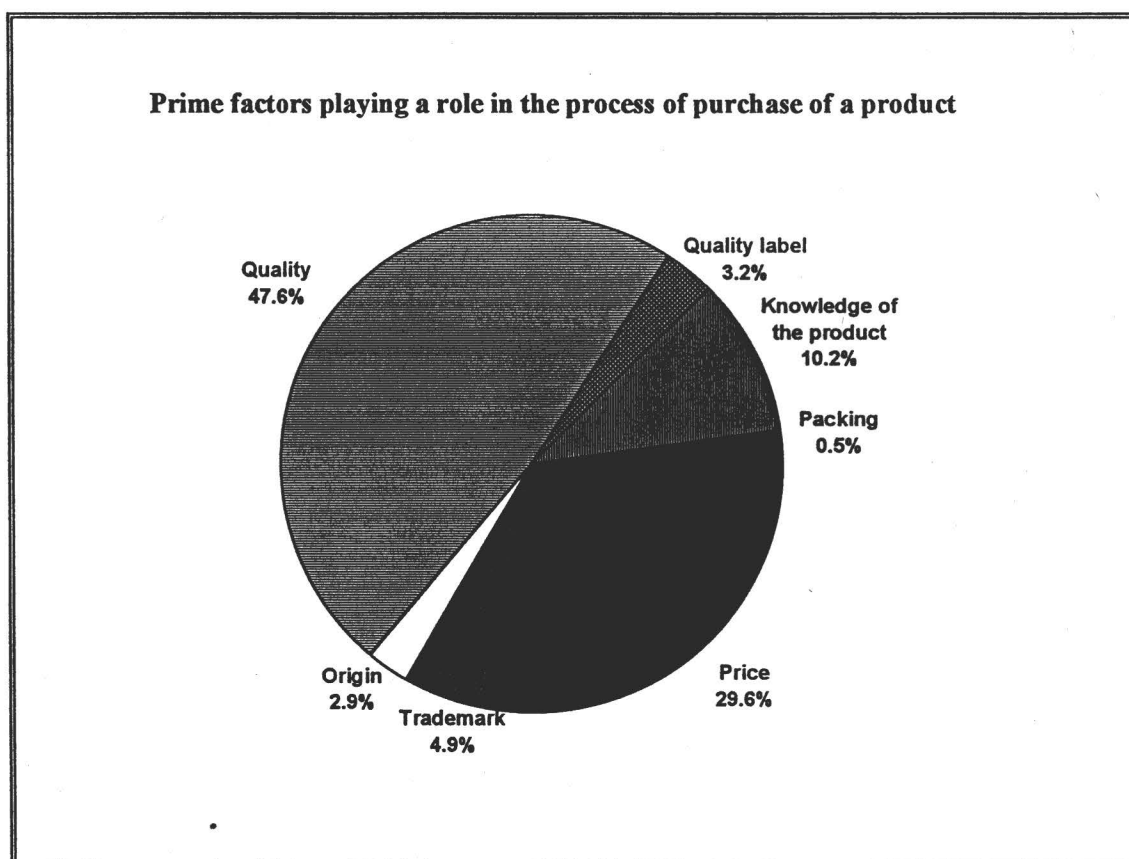
Moreover, according to this study, a large part of European industry seems to turn to total quality management, which is a movement towards an overall company strategy.

The survey "Quality Labels" on the non-food products, carried out for the Commission³⁹ among the European general public, contains a number of data on the attitude of the European consumer with respect to product quality:

³⁸Evaluation of the systems for certification, by third parties, of the quality systems set up by businesses in the Community, Bekaert-Stanwick 1994

- quality stands out clearly as a prime factor in the purchase of a product: indeed 47.6% of the Europeans questioned choose it as their prime purchase factor, against 29.6% for whom the prime factor is the price (see Table 8).

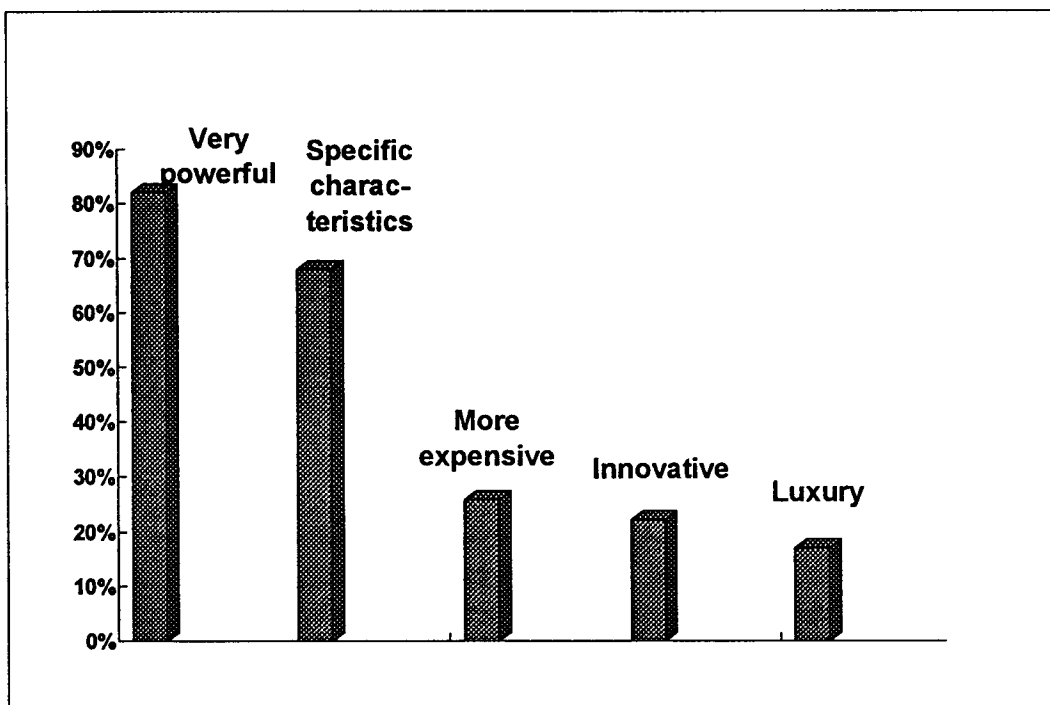
Table 8 - The purchase process of a product



- The European consumer is an informed and demanding consumer. Indeed, for the vast majority, the concept of quality is associated with performance and with the existence of certain specific characteristics. On the other hand, less than one quarter of the consumers consider that a product of quality is a more expensive product, or a luxury product (or an innovative one). Table 9 shows the answers given.

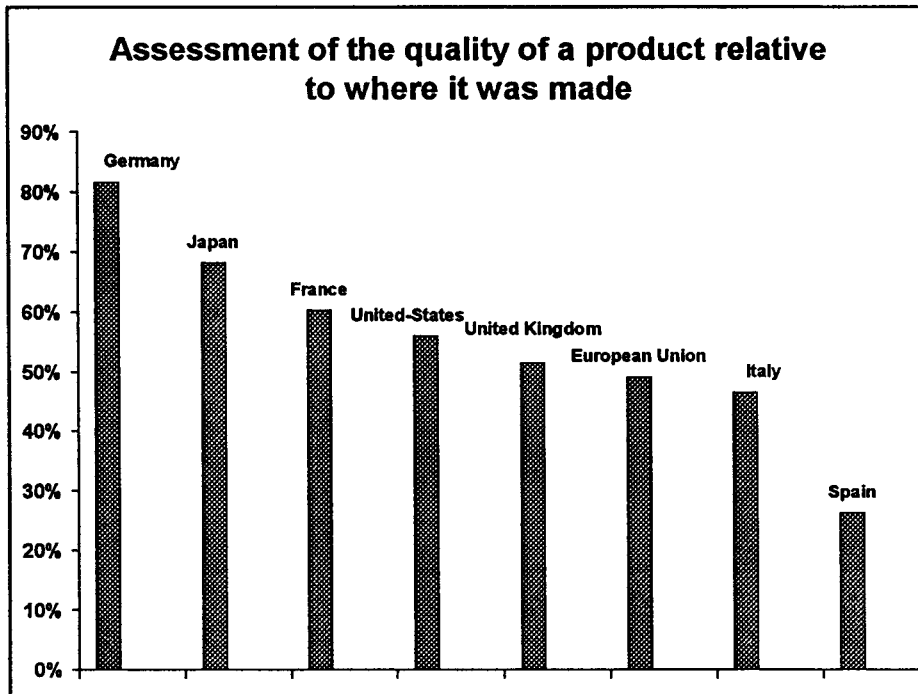
³⁹Eurobarometer 41, Quality labels, carried out by INRA

Table 9 - The definition of a quality product



- With regard to the image of European products, 49.2% of the Europeans questioned consider that a product manufactured in the European Union is a quality product. 55.9% of Europeans think that a product from the United States is a quality product. Japan enjoys an image of quality for its products: 68.2% of Europeans consider that a Japanese product is a quality product. Germany, France and the United Kingdom also benefit from an image of quality with scores higher than 50%, respectively 81.6%, 60.2% and 51.5%. Not all European countries were included in this question. This result is described in Table 10.

Table 10 - The perception of quality in Europe



A study carried out in the motor industry⁴⁰ can add further data to this survey. It shows that the level of quality of European vehicles remains behind that of American and Japanese vehicles. Indeed, despite an improvement in the level of quality of European vehicles reflected by a reduction in the average number of defects per 100 vehicles from the assembly plants in Europe, from 91 in 1989 to 63 today, this same figure decreased in America from 86 to 60 and in Japan from 63 to 56 during the same period.

⁴⁰ Study carried out by MacDuffie of the University of Pennsylvania, Fortune, 12 December 1994. This study collected data from 75 automobile assembly plants world-wide, including 20 in Europe.

B. *The role of EN-ISO 9000*

We have been witnessing for the past few years an increase, everywhere in the world, of activities connected with quality assurance, quality management, and quality in general. This increase is indisputably connected with the development and the adoption of the ISO 9000 Standards⁴¹.

However, the distribution of 70 000 certified companies throughout the world reveals that there is no relation between the number of certified companies and the competitiveness of the national economies. The United Kingdom accounts for 52.2% of the certificates issued world-wide, the other European countries accounting for 26.3%, North America 6.9%, Australia and New Zealand 6.6%, the Far East (including Japan) 4.4% and the rest of the world 3.6%⁴².

It is clear that if this "boom" is beneficial for the distribution and promotion of quality, then it should be equally apparent that it has also involved some negative aspects linked to an excessively rigid use of standards, and in particular a sometimes exaggerated recourse to certification.

Aware of the importance and the benefit that a rational use of the EN-ISO 9000 Standards can have for European companies, the Council, in its Resolution of 1989 concerning a global approach to conformity assessment⁴³, recommended the use of these standards as a reference for quality systems (and did not make the certification of the quality systems obligatory, as was misinterpreted by many).

To have an up to date picture of the situation in Europe regarding quality system certification, the Commission ordered that a study⁴⁴ be carried out in 1994 on the added value of having certification of the quality systems carried out by third parties.

This study indicates that for the majority of the companies covered by the survey, the certification of a quality system must be only one aspect in their programme of quality, it must therefore be regarded as a first step towards "total quality management." Moreover, more than two thirds of the companies state that there is no significant difference between certified and non-certified suppliers with respect to the reliability of deliveries, to the quality of products and to the number of complaints, and that even if certification of the

⁴¹Today, more than 70 countries in the whole world adopted these international standards as national standards; in Europe, the CEN / CENELEC adopted them as EN-ISO 9000. Until the end of 1994, these standards were known under the denomination EN 29000.

⁴² According to the press release of the ISO (Ref. 723) of 3 November 1994

⁴³90/C10/01, OJ n _ C10 of 16 January 90

⁴⁴Carried out by Bekaert-Stanwick

quality systems inspires confidence, it does not guarantee a high quality of goods and services.

A natural consequence of this fact is that the certification of quality systems, for the vast majority of the certified companies covered by the survey, did not help to increase their market share to any significant degree, nor to acquire new customers.

The study also shows that certification of a quality system is, in the majority of the cases, a defensive reaction, caused by the pressure of customers, or competitors. Consequently, ISO 9000 Standards (1/2/3) are interpreted literally, they are implemented only to the extent which is strictly necessary, and the underlying idea of quality is very often forgotten.

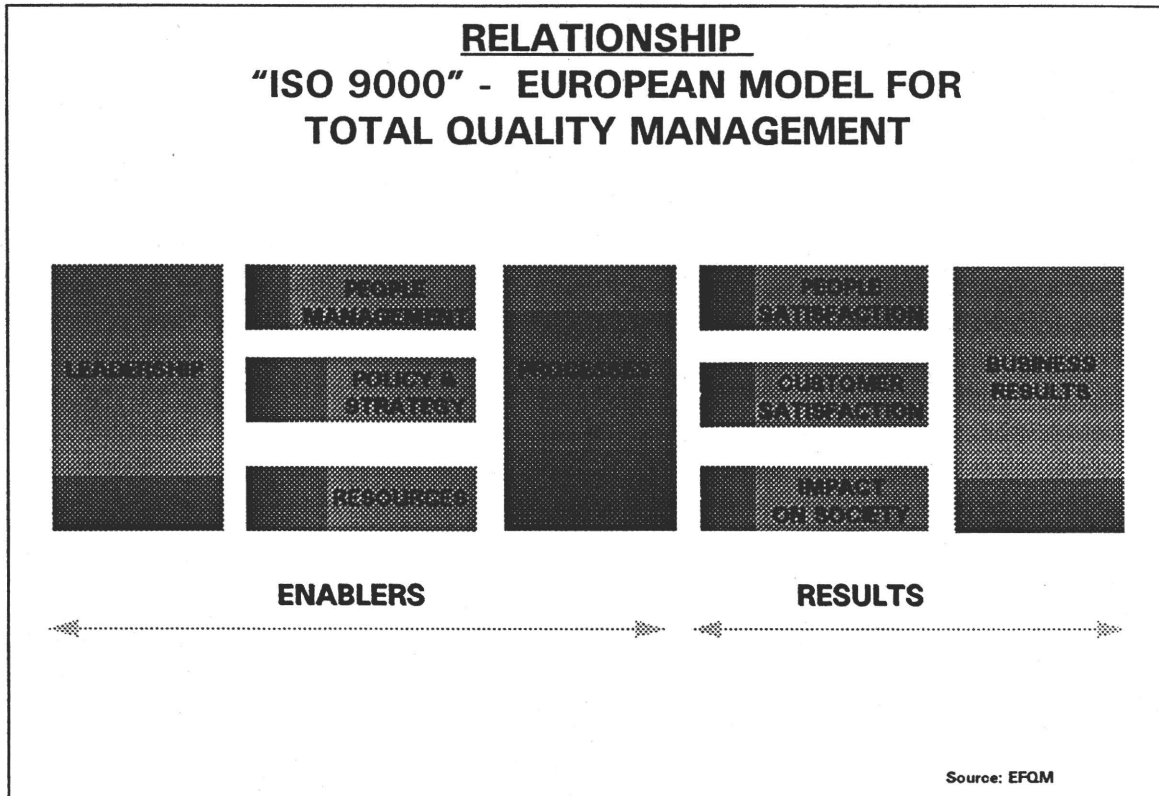
Generally, the certification systems set up in Europe are credible and the fact that the certifying body participates in the European networks which provide mutual recognition increases their acceptability. However, the proliferation of networks which we are seeing today does not help in any way the credibility and transparency of the overall system.

Certification of the quality systems constitutes for companies, in particular for SMEs, an important way of proving that they are able to fulfil the requirements, and thus becomes important within the framework of the Internal Market. Nevertheless, it must not be regarded as an end in itself, but rather as an excellent instrument in guaranteeing and proving quality. In parallel, the use of ISO 9000 by companies can be regarded as a first step towards a more global management of companies (similar to the one arising from the European model of total quality management, administered by the EFQM under the heading of the European Quality Award: see Table 11).

"An over-emphasis on certification at the expense of continuous improvement could mean that the European business arrives at the party ten years behind its competitors in terms of quality⁴⁵."

⁴⁵ Message for Europe from Mr. Juran, European Quality, January 1994

Table 11 - The European model of total quality management



The management models based on continuous improvement, the satisfaction of the customers and the workers, enable companies to meet the requirements of customers at the lowest cost. On the other hand, the strict conformity to the ISO 9000 standards is based above all on a clear identification of policy and methods and on a control of procedures, thus enabling companies to guarantee the conformity of products.

Finally, it must be said that ISO 9000 and also the certification of quality systems are important both as an international references and as means of proof, on condition that the ultimate objective remains quality.

PART THREE: THE EUROPEAN QUALITY PROMOTION POLICY

IV. THE OVERALL FRAMEWORK

The European quality promotion policy has two parts: a Strategic Vision of Quality for Europe which plans to identify the key points for the development of a European quality image and culture and a European Programme for the promotion of quality which will be the materialization of this Vision.

The European quality policy does not plan to widen Community legislative activity nor does it envision a more "interventionist" role for the Commission.

The Commission wants to act as a "facilitator", a catalyst for the projects and initiatives to be carried out in a decentralized manner both at the European and national levels, by fixing a reference point and by providing direction for thought and action. It will seek to ensure the linkage of these various actions and to encourage the synergies arising from a unified strategy.

A. A Strategic Vision of Quality for Europe

The adoption of this policy is based on a Strategic Vision of Quality for the European Union in which:

- citizens, consumers and customers are satisfied;**
- personnel is well trained, motivated and developed;**
- companies are managed efficiently;**
- the environment is respected;**
- available resources are well used;**
- employment is strengthened on the basis of overall competitiveness, innovation and creativity.**

The Strategic Vision is intended to stress the importance of the development of a European image and culture in order to encourage economic growth, increase employment and give greater overall competitiveness to the companies as well as provide a vision of the role of the various public and private partners.

In order for these European quality images and cultures to be accepted and assimilated by the European operators they must be based on the cultural diversity and wealth of Europe, whilst also being directed towards excellence.

Consequently, the Strategic Vision must contribute to the creation of a reference point to ensure both consistency between the various dimensions of quality in Europe and a linkage between the operators and the public authorities. In particular, it has to stimulate discussion as well as the political, scientific and academic developments.

The accent has to be placed on a strategic management of quality based on the satisfaction of customers, the motivation and satisfaction of personnel, work well done, the effectiveness of the companies aiming for excellence, rather than on exclusively technical elements such as quality assurance, which primarily seeks to ensure compliance with specifications.

A European quality promotion policy therefore aims to create an environment in which European companies and their products aim for excellence and not just conformity to the regulatory requirements alone.

To this end, a quality strategy must be identified going beyond the legislative level, and the level of the standardization and certification techniques, in order to prepare an overall management approach based on the commitment of the entire personnel, on better use of available resources, on principles of continuous improvement, etc.

The awareness, motivation and commitment of the management and political leaders constitute the key element in the success of the European economy and one of the main principles of this new policy.

This European quality promotion policy plans to strengthen the overall competitiveness of companies through two major orientations:

an external perspective focused on customer satisfaction and respect for the environment (in an overall quality-of-life approach);

- an internal perspective intended to ensure the carrying out of the various functions of strategy and management more efficiently, and a development of human resources.**

B. A European quality promotion programme

The implementation of the European Quality Promotion Programme (EQPP) will have to be based on a strategy of unified and coordinated action by the various participants, both private and public, at Community, national or regional levels, with due attention being paid to the principle of subsidiarity. Some examples of actions and initiatives already in hand are:

- the Community Initiative for SMEs, (including the Euromanagement programme) intended to encourage them to modernize and to develop, in order to make them more competitive,
- the specific programme of Measurement and Testing of the fourth Framework Programme of Research and Development and the SPRINT programme to support actions and research projects and demonstrations of new quality techniques and methodologies,
- the Community eco-management and audit scheme, ensuring its linkage and integration with quality management in order to avoid duplication of resources;
- projects of cooperation and technical assistance for third countries;
- training programmes to develop human resources and to increase their knowledge and skills;
- the various national quality plans already in existence;
- the European quality award, managed by EFQM;
- the various national quality awards;
- the European Quality Platform created by EFQM and EOQ to carry out joint actions aimed at the development of quality in Europe.

The programme does not aim to create new infrastructures or individual initiatives in this field, except if they can contribute to increasing to a significant degree the synergies between existing infrastructures and policies, and contribute to the effectiveness of their promotion. Indeed, the setting up of the various elements of the programme are intended to give greater visibility and scope to the actions already described.

The European quality promotion programme comprises three main orientations for intervention and reflection:

- **increase the commitment to, motivation and development of the human capital, and give people greater responsibility;**
- **improve the quality of the European productive apparatus;**
- **develop the cohesion of all involved around a European quality image and culture.**

V. THE PROPOSALS

A. Increase in the commitment, the motivation, the responsibility assigned to as well as the development of the human capital

Objective:

To increase the commitment, motivation, level of responsibility assigned to and the knowledge of the personnel, on all levels, with respect to a quality approach which is essential to deal successfully with the challenges of modern society.

Actions:

1. *The European Quality Award*

Strengthen and widen the European quality award

The European quality award, launched in 1992 by EFQM⁴⁶ in cooperation with EOQ⁴⁷ and with the support of the Commission, is intended to encourage and recognize the achievement of excellence by companies, in terms of quality management of as the key way to gain continuous improvement and consequently as the best strategy to improve their competitiveness.

The model used for the award can be used by the companies to practise self-assessment. Self-assessment involves a systematic, regular and continuous review of the activities and results of the company, and makes it possible to distinguish the strong points and the elements needing improvement in the company's approach to quality. This methodology presents a number of advantages:

- it provides a detailed basis for strategy decisions,
- it can be an effective means of gathering and concentrating efforts of the company on the improvement of its overall management,
- it provides a base from which to start benchmarking⁴⁸ with other companies.

It can serve as a complement to certification by third parties.

⁴⁶European Foundation for Quality Management

⁴⁷European Organisation for Quality

⁴⁸Comparing the practices, processes and products of a company against the best ones in the industry in question or another industry

Just as it is up to the management of companies to take the quality approach in hand and to demonstrate their commitment to it, the Commission is very aware of its own role. Indeed, it showed from the beginning its commitment to the quality approach. Mr Bangemann took part in the ceremony when the Award was conferred by His Majesty King Juan Carlos of Spain in Madrid, in 1992. In 1993, the Commissioner responsible for the Internal Market and for small business and distributive trades, Mr Vanni D' Archirafi, took part in the Turin Award, and Mr Delors himself wished to present the European Quality Award in Amsterdam in 1994.

The strengthening of the European Quality Award and the expansion of its application to the SMEs and to services will enable all European companies better to understand the advantages of quality and to check their situation in relation to objective criteria, with the aim of assessing their operational results in the light of the strategy and policy put into place.

In this context, the Commission intends to support the European Quality Platform (EQP - comprising of EFQM and EOQ), in particular the work necessary for the adaptation of the European Quality Award to the SMEs and to services, the publication of specific booklets for the SMEs and for services, the coordination and harmonization of the criteria and methods of the various national and regional prizes and the carrying out of promotional and information-disseminating activities.

2. *European quality week*

Organize a European quality week

The aim of a European quality week is to concentrate in one week the holding of a campaign of public awareness, promotion and demonstration of the advantages and the importance of quality for the competitiveness of the European economy, for the economic operators, public services and customers. Some of our competitors have already set up initiatives of this kind some years ago. Similarly, some Member States have also developed such campaigns. The development of this initiative can, moreover, increase the synergies among individual initiatives, by giving them greater visibility and a greater Europe-wide coverage.

The Commission plans to support the EQP (European Quality Platform) for the carrying out of integrated activities and initiatives (for example: conferences, videoconferences, press releases, informational booklets, posters, etc.), throughout the territory of the European Union, through national and European organizations dealing with quality. These actions will be concentrated over the second week of November, in order to include the "world quality day" which has been set at the second Thursday in November.

This week aims at strengthening the European dynamic towards excellence.

3. *A European system for qualification of quality professionals*

Strengthen a harmonized European system for qualification of quality professionals, managers and auditors.

In response to the rapid development of quality as an element of management of companies, the need to have trained and experienced personnel in this field is increasing very quickly. This increase in demand applies to all the various specialities in the field of quality (quality engineers, quality managers and quality auditors). In these circumstances, the existence of a European system and formal programme of training and qualification has become a pre-requisite for the successful realisation of the quality approach in companies.

The Commission plans, therefore, to support the European Quality Platform, in particular via EOQ, within the framework of continuous training of European workers, in order to strengthen and transform the existing systems for the qualification of quality professionals, quality system managers and quality auditors into a genuine European system: open, transparent and credible.

4. *Quality in educational courses*

Promote the introduction and the development of quality in the technical and university teaching courses.

The existence of adequately trained personnel is simultaneously an essential condition and a driving element for the adoption of quality strategies in companies. Thus the strengthening of the teaching of quality at the various levels of the educational system becomes essential to allow the appropriate training of directly operational personnel.

A study on the teaching of total quality management methodologies⁴⁹ undertaken by EFQM at the request of the Commission, shows that although there are universities and institutes which give courses in this field, that is not the case in all Member States, and moreover, in certain cases, they do not cover the most important aspects.

In this context, the Commission intends to encourage universities, university-level and polytechnic institutes and technical colleges to strengthen and develop courses and training sessions in the field of quality in order to allow personnel to take on the responsibilities which arise from the new methodologies of quality management.

⁴⁹The study "Total Quality Management, Directory, 1993. TQM at European Universities and Business Schools" was prepared by the EFQM at the request of the Commission in 1993, under the COMETT programme.

5. *University networks and fora*

Promote university networks and fora to encourage European training in the field of quality.

The Commission intends to encourage universities to develop and strengthen their links in the field of quality, through networks. These networks will enable them to cooperate better, to share their experiences in this field and to prepare joint training programmes at European level. These networks, formal or informal, will be able to use the new information and telecommunications technologies to allow the rapid exchange of information. These networks will encourage the adoption of an awareness of quality in universities at European level.

The Commission intends to encourage the creation of university fora in order to establish venues for meetings and the sharing of experiences in the field of quality. These fora may be limited in time or renewed, depending on the scope of the subjects in question. These fora will allow issues concerning quality to be disseminated internally throughout a university and externally to other universities, and to make students on other courses aware of quality.

B. Improve the European productive apparatus

Objective:

To increase the competitiveness of the European economy both on the internal market and on the world market, through technological innovation, industrial design, improvement of the quality of products and services, research and development of new control and management technologies and methods.

Actions:

1. *New methodologies*

Promote the development and distribution of the new quality methodologies

The Commission plans to support the European Quality Platform in the carrying out of case studies showing the way in which European companies have initiated their quality approach. This will make it possible, through examples of successes or of difficulties, to identify basic guidelines and principles on the way towards excellence. These case studies will make it possible to identify the advantages of development and adoption of quality management systems and, consequently, to identify a "European way to excellence".

Another methodology helping to promote a European way to excellence is "benchmarking" which consists in comparing the practices, processes and products of a company against the best ones in the industry in question or in another industry. Studies will make it possible to provide the foundations for a European benchmarking system.

2. *The integration of industrial design*

Promote the integration of industrial design in the planning and development of products

Industrial design can improve goods and services in their life cycle (from conception to their withdrawal from service, through production and use). It is an essential element of industrial development and technological process, having an impact both on the functionalities of the product and its aesthetics.

The integration of the European Community (ECDP) prize for "design", created in 1985 under the SPRINT programme and awarded to SMES which have made good use of "design" in their production process, within the overall framework of this quality policy can contribute to better comprehension of design as a tool for improvement of the quality of products and services, especially within the SMEs.

3. *New technologies*

Promote research, development and demonstration of new design, production, test, control and organization technologies

Support the research, development and demonstration of new methodologies of design, production, control and tests, and organization which aim at the achievement of excellence in goods, services and companies.

The economic operators as well as the professional and industrial associations are invited to submit, either to the Commission, or to the Member States under the aegis of the various Community programmes (Fourth Framework Programme for Research and Development - Specific Programme for Measurement and Testing, the SPRINT Programme, the ESPRIT Programme, the Community SME Initiative, etc.), their proposals for research, development and demonstration projects in the field of quality.

4. *Environmental aspects*

Promote the integration of environmental aspects into the life cycle of products

In parallel, support should be given to actions which provide the integration and linkage of initiatives in the area of environment protection with the aim of improving products and services (from design to withdrawal from service, through production and use). Making due allowance for quality and the environment from the very design stage of the product or service will lead to improvement over its entire life cycle. Companies which set up systems of total quality take into account questions of the environment, as these form part of their overall quality image.

5. *Quality in services*

Promote the study and use of new methodologies of quality in services, in particular in the public sector

In the same way as the quality approach is an element of strategic importance for industrial companies, so too its role has also become important in the service sector, as some examples show.

In the present situation, in which the economy is turning towards a very large proportion of tertiary activities, and in which the public services are turning to quality, promoting the realization of experiments on the use of these techniques and methodologies of quality, in these fields, will contribute to improving the quality of these services which society needs so much.

The Commission will launch studies on the use of quality methodologies in services in order first to have an inventory of the current situation, then to be able to amplify the "European way to excellence" by adding possible specific features.

Thus, the Commission will promote analysis activities on the degree of use of quality methodologies in the public and private services (including public administrations) in Europe.

The Commission will encourage the carrying out of pilot projects of development and demonstration on the adoption of quality systems in services. Sectors which have already started their quality approach will be asked to share their experience.

6. *Research-company links*

Promote the links between research and companies

The Commission will promote the intensification of the links between research and companies in order to promote more rapid dissemination of innovative technologies and valuable exchange of information between research and companies.

C. Develop the cohesion of all involved, around a European quality image and culture

Objective:

To mobilize all public and private European players around the quality imperative, which will allow companies, and in particular SMEs, to respond better to the requirements of the various markets (regional, national, Community and international) by being more powerful than before and more competitive than their competitors, and at the same time to better satisfy the new expectations of society as regards more efficient use of the resources available, the control of industrial risks and respect of the environment.

Actions:

1. *A European quality observatory*

Set up a European quality observatory.

Within the framework of this policy, all economic operators agree on the need for the existence of a network for the collection, processing and distribution of information available on quality.

This network, which might be called the European Quality Observatory, should be based on already existing infrastructures, in particular the Euro Info Centres and the national and European associations in the field of quality, in order to avoid the duplication of resources.

This quality observatory will be used to disseminate available information (in both directions: distributing and receiving) to economic agents, in particular SMEs, to develop data bases on the various aspects of quality and to promote the performance of studies on them, especially on the economic and regulatory aspects within the Union, and comparative studies of European quality vis-a-vis that of other economic markets.

This observatory will also be able to act as a forum for meetings, discussions and co-operation between companies, associations, organizations, universities, etc. of the Member States, covering all aspects of Quality.

2. *A customer-supplier partnership*

Improve the partnership relationship between customers and suppliers.

Encourage the creation of a new climate, one of partnership rather of opposition, in the relations between companies, their suppliers and their subcontractors.

Promote the dialogue between the principals and the subcontractors in order on the one hand to reduce unnecessary demands by the principals and to lower the number of audits, and on the other, to facilitate the satisfaction of these demands by the subcontractors. Acceptance, on the part of the principals, of certification by third parties as an excellent means of demonstrating the subcontractors' technical capability could reduce the number of these audits substantially (a study ordered by the Commission⁵⁰ in 1992 showed that each subcontractor was audited by its principals more than 7 times a year, which resulted in costs of about ECU 26 000 a year).

Nevertheless, there should not be excessive emphasis on certification by third parties when it is not necessary or when there are other more economic means.

3. *The European system of testing, certification and accreditation*

Strengthen the European system of testing, certification and accreditation.

The strengthening of the infrastructures for testing and certification as well as the European accreditation network (EAC - EAL) is absolutely essential in order to attain the mutual recognition of conformity assessment and thus equally essential for the consolidation of the internal market⁵¹.

This reinforcement will make it possible to ensure the credibility, transparency and technical competence of the technical environment necessary to achieve the objective, which is the acceptance and recognition of tests and certificates, so that in the long term it will be possible to reach one-stop certification per product in the European Union (and therefore to reduce the costs connected with the multiplication of tests and certifications for products).

⁵⁰ Study on the cost of the multiplicity and repetition of certification procedures for subcontracting companies, OJ n _ C 240/31, 1990

⁵¹ According to Resolution N° 38 of the report "The internal market after 1992. Meeting the challenge" submitted to the Commission by the High-level Working Party on the Operation of the Internal Market, chaired by Mr Peter Sutherland.

EOTC will probably have an important role in this field and may well find itself assigned specific mandates by the Commission on the basis of the framework contract signed on 21/12/1994.

4. *CE marking*

Promote the clarification of the role of the CE marking and its articulation with existing marks

The transparency and credibility of the technical environment necessary for the success of the Internal Market are also related to a very clear definition of the role of the various conformity assessment procedures (before and after the products are placed on the market), used not only in the regulated but also in the non-regulated sectors, and in particular to a clarification of the role of the "CE" marking and its relations with existing marks.

5. *The Community eco-management and audit scheme*

Promote the articulation between the development of quality systems and the Community eco-management and audit scheme

Promote the realization of demonstration projects on the integration of quality systems and environmental management, in European companies, in order to eliminate the duplication of audits (quality and environmental audits), in testing laboratories and in auditing bodies.

6. *Industrial cooperation with third countries*

Develop cooperation with third countries in the field of quality

Strengthen industrial cooperation with third countries and economic blocks through round tables of leaders and experts, missions and joint studies in order to share the experience gained in this field.

7. *Technical assistance to third countries*

Develop technical assistance for third countries in the field of quality

Develop technical assistance to third countries, in particular those of Central and Eastern Europe, through projects intended to help them to strengthen or create the necessary technical environment so that their companies may improve the quality of their products.

The strengthening of the Third Country Unit of CEN, in parallel with the establishment of a commitment between European organizations on the issue, can be an instrument for the implementation of this policy in order to have a Community vision whilst at the same time ensuring the individual representativity of Member States.

8. *A European Quality Charter*

Develop a European Quality Charter

This Charter aims to establish the framework for European and national players in the field of quality, by mobilizing them and gathering them around a common objective and committing them to this ambitious programme of activities at the service of European society.

This charter will aim to clarify the responsibilities and establish the framework for cooperation and articulation between players as well as the definition of ethical rules for bodies and professionals active in the field of quality.

Those involved are:

- the organizations connected with the development of quality: EFQM, EOQ and their members;
- the organizations connected with conformity assessment: EOTC, EAL, EAC and their members;
- the standardization organizations CEN, CENELEC, ETSI and their respective members;
- the European industrial associations and their members;
- the trade unions;
- the consumers' associations;
- the Member States;
- the Community Institutions,

will join their efforts to allow the European economy to overcome the challenges of global competitiveness.

PART FOUR: CONCLUSIONS

The quality of goods or services provided by companies is inseparable from a modern and competitive economy, and therefore represents an essential element of their success, and of the improvement of the quality of life of the people of Europe.

The aim of this European quality policy is to contribute to the creation of a European quality image and culture, based on the interactivity of what actually exists in the Member States. It intends to launch the debate on quality issues in order to lay down the guidelines for future initiatives.

The European policy as regards quality does not plan to widen the Community legislative activity, nor to envisage a more "interventionist" role for the Commission. The Commission aims to act as a facilitator and a catalyst of projects and initiatives carried out in a decentralized manner, both at European and national levels and consequently will ensure the necessary complementarity with the national initiatives. It will therefore seek to ensure the articulation of the different initiatives and encourage synergies arising from a unified strategy. To achieve these objectives, the Commission intends to finance the actions envisaged in this communication.

At a time when competition is becoming truly global, the strengthening of relations with third countries, either through the establishment of cooperation programmes and mutual recognition agreements with countries of an equivalent level of technical development, or through technical assistance programmes for the less developed countries, will have a very positive impact on the economic operators.

The recourse to the ISO 9000 standards by companies can be regarded as a first step towards overall quality management. The certification of quality systems based on these standards cannot be regarded as an end in itself because it does not provide all the means necessary for an increase in the competitiveness of the company.

The quality approach as proposed in this communication is no longer a technical solution under the authority and responsibility of just a few, to solve a technical problem (like quality system certification), but an overall strategic solution, the responsibility of everyone, intended to increase the efficiency and the competitiveness of companies, as well as the quality of life of the people of Europe. It represents therefore, for the European economy, a possible route towards excellence.

The Commission submits this Communication to explain and clarify the guidelines that it has the intention to follow in future in the exercise of its responsibilities and in the full respect of subsidiarity. This communication has as its principal aim to launch an in depth discussion on quality and create a European dynamic on the issue.

Aware of the need to create a consensus on these orientations, the Commission wishes to obtain, in addition to the adhesion of the operators themselves, the opinion of the other Community institutions and bodies and their support on this the action which aims to make European goods and services synonymous of quality and European companies synonymous of success.