Quality Management Systems for NGOs (Non Governmental Organisations)

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Abstract

The central argument of this paper is that many of the tools developed to strengthen for-profit businesses can be applied to NGOs (Non Governmental Organisations) to make them more effective, accountable and sustainable. The paper addresses a lacuna in the development literature by defining and describing how business tools can be effectively transferred to NGOs. It examines the implementation of ISO 9000 Quality Standard by one NGO, the Cambodia Trust. The experiences of Cambodia Trust demonstrate that business tools have a place in NGO management. The paper also questions the extent to which the Cambodian experience can be seen as best practice for NGOs.
Introduction

Development work is not quick, easy or cheap, and the success of NGOs and official agencies over the last fifty years has been at best, mixed. This lack of success on the part of NGOs is to some extent attributable to underdeveloped management structures (Smillie, 1995; Bradley et al., 2003). In the absence of any useful or widely accepted measure of NGO performance, inefficiencies are hidden, as discussed below. Furthermore, the lack of a performance metric for NGOs inhibits the setting of clear goals and assessing progress toward them.

Given the complexity of development work and the difficult environments in which NGOs often operate, arguably they should have stronger and more developed management structures than for-profit businesses. But some within the third sector regard NGOs as the antithesis of for-profit businesses (henceforth for-profits) and believe different rules apply to not-for-profits. However, their organizational structures are remarkably similar. Many of the tools developed to strengthen businesses and make them more profitable can be applied to NGOs to make them more effective and more accountable.

While this idea is not new (Unterman and Davis, 1984; Speckbacher 2003 and Lewis 2001,2002), there is a paucity of literature defining and describing how these business tools can, in practice, be effectively transferred to NGOs. While the structure of NGOs is similar to businesses, it is important to bear in mind that the objectives of NGOs and the environment in which they operate do differ significantly. The extent to which such business tools can be successfully transferred, if at all, depends on both the NGO in question and the proposed tool.

In general NGOs tend to be staffed by hardworking and dedicated employees. However many NGOs fail to capitalize on these qualities due to deficient organizational structure (Smillie, 1999; Cracknell, 2000). This paper argues that applying one set of business tools, the Quality Management System (QMS), to NGOs provides them, and their employees, with an appropriate structure to become more effective. This paper is based on research into the implementation of the ISO 9000 Quality Standard (1) by one NGO, the Cambodia Trust. The experiences of the Trust
show that business tools such as this do have a place in NGO management. The success of this tool suggests that there is a significant opportunity in investigating how other tools from the business world can be applied to NGOs.

Adopting a formal QMS had contributed to the sustainability of the Trust in two important ways. Firstly, its was adopted, in part, to allow the handover of the organisation to the local Cambodian staff, requiring no (or very little) further involvement from the parent organisation. Secondly, the Quality Manual has become the repository of the ‘organisational knowledge’ which has been of great benefit to the Trust in setting up two new operations in East Timor and Sri Lanka. These new operations will in turn aim for ISO 9000 certification with a view to being handed over to local staff in five to nine years time.

This paper highlights the case of one business tool applied effectively to one NGO. The overriding belief is that lessons learned here can be transferred to other suitable NGOs. In the same way it can be transferred to other business tools. Rather than reinvent the wheel, NGOs should adopt these proven tools and draw on the pool of literature and staff experienced in their operation.

For-Profit Management Systems for NGOs

There is a certain level of suspicion among many in the development sector about employing business tools in the non-profit arena of development (Tandon, 2001; Lewis, 2002). Equally, standards are not much loved by the development community and are associated with rigidity, conformity, prescriptive norms and defined levels of achievement. The ISO 9000 quality standard does not stipulate a certain level of quality or a way of doing things. Rather it describes a structure for organizations to develop and define what quality is for them and how to achieve and maintain it.

This section argues that not only is the ISO 9000 standard applicable to NGOs, but that it offers certain benefits specific to NGOs beyond those enjoyed by for-profits. It will examine the success of the first implementation of ISO 9000 by an NGO in a developing country (2), how this was managed and to what extent this can be seen as best practice for NGO management. It will also examine what type of organization is in a position to adopt ISO 9000 and those that are not.

How ISO 9000 Provides Organizational Structure
ISO 9000 develops organizational structure in a number of ways. One is by structuring institutional memory. Quality procedures document each process in the organisation and can be instructive to people who join the organisation, to those in other departments or branches of the organisation as well as external partners (where appropriate). The institutional memory is complimented by the clear definition of the overall mission (as defined by the quality policy) and how this is to be achieved (the quality objectives).

Secondly, it provides structure by defining who is involved in each procedure and which other procedures it might interact or interfere with.

The above point is relevant to a third way in which ISO 9000 provides structure for the management of change. Each quality procedure details the departments and other quality procedures that are affected, thus change does not occur in isolation. Effective change management is of particular importance to development organisations given the complex interaction between actions and outcomes. Examples of weak or damaging outcomes due to poor understanding of systems’ interaction are legion in development.

Case Study: The Cambodia Trust

The Cambodia Trust was founded in Oxford, UK in 1989. It provides artificial limbs and a range of services to mobility impaired persons in Cambodia. The Trust also runs a world-class Prosthetics and Orthotics school in Phnom Penh, to provide training for the next generation of staff in Cambodia and abroad. Implicit in the mission of every development NGO is ultimately that they will cease to exist. That is, once the development goals have been achieved, the NGO will move on or close up shop completely. The Trust (unlike many development NGOs) kept this goal in mind and set about the ‘localization’ of the Trust, so it could be run entirely by national staff (3). Early in 1999 the (predominantly ex-pat) management of the Trust in Cambodia initiated an ‘Institutional Strengthening Project’ (funded by NZAID with a budget of US$100,000 over three years) to develop the capacity of the national staff to take over the positions occupied by ex-pats.

ISO 9000 was chosen as a suitable tool to help with the localization of the Trust. Management felt that while the existing organization was running well, more structure was needed if this was to continue into the future. Not only would ISO 9000
provide this structure, it would also give the Trust a set of written procedures defining their work, which would act as a blueprint and facilitate the planned expansion of the Trust in Sri Lanka and East Timor. The Institutional Strengthening Project and the ISO 9000 project were closely intertwined: ISO 9000 was (and continues to be) a tool for institutional strengthening but the institutional strengthening was necessary for the Trust to gain ISO 9000 certification.

As the ISO 9000 project had improved the quality of the working environment for the whole organization, there was very strong ‘buy in’ for the project. The reasons why it was successful are discussed below.

Study Method and Sample

The findings of this paper are based on a research visit to Cambodia Trust during the period July-August 2003. The primary research involved visits to three of the four functional units of the Trust in Cambodia: two provincial clinics and a clinic and school which share a site in Phnom Penh. Though one of the provincial clinics was not visited, the interviews covered the other three functional units of the Trust, which can be seen as representative of the organization as a whole. Interviewees included top management and receptionists, national and ex-pat staff, clinical, administrative and teaching staff. The case study approach was undertaken which comprised seventeen in-depth face-to-face interviews with the relevant personnel of the national (13) and ex-pat staff (4) of the Trust. Of the 17 interviewees, 13 were management/admin, two clinical and two teaching. Face-to-face interviews employing a structured questionnaire was deemed the appropriate study method given that such an approach is useful for examining the underlying processes at work, that is, cause and effect. As Reid (1995) outlined “Field work methods which involve intensive interviews with respondents offer the potential for very accurate and complete data and very high response rates” (p. 15). Out of 17 interviews 10 were audio-taped and transcribed. Some national staff were reluctant to be taped as they were embarrassed by their level of English (which was in fact in most cases quite passable). The average interview lasted approximately 40 minutes. Where interviews were longer this allowed clarification of any language difficulties.

The interviews were carried out eighteen months after the Trust had gained ISO 9000 certification. It should be noted that the Trust may be in a ‘honeymoon
period’ with respect to ISO 9000. Currently there is a great feeling of success within
the Trust on gaining certification, the long process of putting the QMS in place is
showing returns in greater organizational effectiveness while it is still relatively easy
to find areas to tighten up systems and fulfil the ‘continuous improvement’
requirement of ISO 9000. A longitudinal study tracking the attitudes of staff and the
effectiveness of the QMS over time would provide an even greater insight into the
suitability of business tools such as this for NGOs in the developing world.

Structure of the Questionnaire

As alluded to above, a structured questionnaire was employed during face-to-
fame interviews (the same questionnaire was employed for national and ex-pat staff)
so as to provide structure and to ensure consistency. The central objective of the
questionnaire was to determine to what extent ISO 9000 can be implemented
successfully by an NGO in the developing world. Can business tools like this be
transferred to a development context? Are they effective in strengthening the
organization and developing the capacity of the national staff to run the organization?
To what extent can this be seen as best practice for NGO management and is this
transferable to other NGOs? This was investigated by questioning how well staff
understood the philosophy and concepts behind ISO 9000.

To answer the above questions it was seen as vital to determine that ISO 9000
was being actively practiced by the Trust. To what extent were staff involved in the
process of ISO 9000 certification? Were the ISO 9000 documents relevant and
actively used by staff or just created to pass the external audit?

The general question of “What is ISO 9000 in your own words?” was posed.
This question appeared to cause much confusion to national staff. When qualified by
the interviewer with “How would you explain it to a friend who knew nothing about
it?” it still seemed unclear and the responses were not very relevant or intelligible.
Initially, the interviewer suspected that this was due to a poor understanding of the
concepts of ISO 9000, however, the answer to one of the concluding questions posed
“Would ISO 9000 help other organizations like Cambodia Trust?” clearly
demonstrated that the respondents had a most considered and in-depth knowledge of
the key issues relating to ISO 9000. On reflection, it could be argued that the previous
question of “What is ISO 9000 in your own words?” may have been phrased in too
abstract a manner. The use of several questions to address the same or very similar issues is not based only on their complementarity but also serves as a control system for the reliability and the coherence of the answers.

Of the interviewees 10 were Cambodian and four were ex-pats. This does not reflect the composition of the staff as a whole, which is made up of less than 8% ex-pats. However there appeared to be no significant difference in the responses by expat or national staff, though this is unlikely to emerge given the small sample size. Distortion of results due to over-representation of expats in the sample is thus not expected to be significant. The following distinctions did emerge between national and ex-pat staff: (a) the average length of service for national staff (8.2 years) was significantly longer than ex-pat staff (1.4 years), (b) all ex-pat staff had heard of ISO 9000 before the Trust engaged in the project, compared with about 30% of national staff.

Following the opening questions a set of probing questions were posed. These were aimed to determine to what extent ISO 9000 was ‘actively practiced’ as opposed to simply being requirements that had been fulfilled to gain certification. These questions focused on the respondents’ knowledge of where the quality procedures were maintained, how to reference or update them and the quality of the work descriptions contained in them. Only one respondent answered in the negative to any of these questions, suggesting that the work descriptions are accurate and useful and are frequently consulted by staff at all management levels. All respondents knew where to find the quality manual and quality procedures and added an anecdote relating to the last time they referred to them. In fact, when asked, “When did you last look at them?” the answer was on average just over one and a half weeks ago and the vast majority of respondents found it to be helpful. This is skewed by an internal audit held two weeks previously. This showed that these were in active use, and not ‘gathering dust on a shelf’. Interestingly, of those who found them helpful, only one felt that there was nothing that needed to be added to the work procedures. This demonstrates that while the procedures are deemed useful they were also aware that there was room for improvement.

To the question “Do you think it has helped Cambodia Trust to have ISO 9000?” of the 14 respondents, 13 were positive and one was “Not sure”.

All of the staff at the Trust were very open and co-operative in their dealings
with the researcher. They seemed to take pride in their certification to ISO 9000 and were keen to publicize it within Cambodia and internationally.

Organizational Learning

Organizations primarily benefit in two ways by adopting ISO 9000: through the process and the product, both of which contribute to the organization learning.

The process is important in a number of ways: By writing down a formal description of each procedure, people are forced to think about their job in an abstract way. They must step back from the everyday practice which they know intuitively and formalize what they do. This may cause them to see better ways of doing their job, or expose wasteful practices. People also tend to idealize the description, and describe the way things should be rather than the way they are. This presents an opportunity to change existing practice – the way things are – to the way they should be. It is important at this point to reconcile the ideal with the reality and to record actual practice in the work procedure. The obstacles preventing things running the way they should can be worked on later. ISO 9000 encourages continuous improvement and recognizes that there are always ways of doing things better. However, it is also an iterative process, acknowledging that everything cannot be done at once.

In much the same way, this exposes inconsistencies in processes where departments or functional areas of the organization interact. By formalizing work processes, poor methods or weak systems are exposed. Before a quality procedure is signed off, all those involved in that process must consult with each other and agree on a procedure. This defines responsibilities and delimits areas of authority which reduces friction between departments or can prevent tasks falling between departments and being nobody’s responsibility.

These valuable processes also contribute to a valuable product in the form of the quality documents that are produced. The organization as a whole learns by formally recording how processes are carried out. The ‘organizational memory’ is not limited to the knowledge of a few key individuals but is now available to all. This reduces the organization’s exposure when these key individuals leave and prevents people from making themselves indispensable.

The Senior Financial Assistant at the Trust noted how having written procedures widened the tasks she could do, for example if another staff member was
sick. This was a staff member who had worked her way up through the ranks over 11 years, so even though she had broad organizational knowledge, the written procedures were useful to her. Thus the quality documents are also important training documents, both for new staff and existing staff who change positions in the organization.

Defined procedures contribute to consistency within the organization. A Senior Lecturer in the Trust, an ex-pat on a two year contract, commented that before the ISO implementation when faced with a new situation he would ask three or four people what the procedure was and get three or four different answers. With ISO in place he can refer to the quality procedures. Having a consistent method of operation means other individuals know what to expect, reducing time spent in meetings and clarifying others’ actions. However, this may also have the disadvantage of missing out on informal communication between the relevant staff, losing out on details which are perhaps relevant to the particular patient or situation.

The QMS provides the structure often lacking in NGOs. It has been noted that NGOs have strong social capital, that is strong interpersonal networks and levels of trust (Morris, 2000). These assets are fertile ground that ISO 9000 can build on to make the organization more effective. When asked “Did ISO 9000 change the way you do or think about your work?”, of those who responded, all answered in the affirmative. The Trust’s Country Director replied that ISO had most definitely provided structure in terms of even very basic levels of organization such as having tidy files. This demonstrates how the QMS is changing behaviour in the organization, encouraging people to become more effective, and empowering staff to demand more downward accountability.

Empowerment of Staff

The focus of the Trust’s ISO 9000 project was the localization of its operations in Cambodia, to develop the capacity of the staff to run the organization in the future. This has been successful in two main ways: the empowerment of national staff and the strengthening of the organization so it can be run without the assistance of ex-pat staff. Since the implementation of ISO 9000 the regional clinics have taken on financial autonomy and no ex-pat staff now work at these locations.

The first language of the national staff is Khmer but most staff speak some English and all at management level do. Nonetheless, the language of the ISO 9000
standard and the management literature associated with it proved a challenge to the national staff. Indeed, the language used in the standard is so non-specific, generic and dense, that most readers whose first language is English, may have difficulty in deciphering parts of it. Training courses were also sourced locally to develop management in the areas of leadership, management by objectives, auditing skills and promoting and raising the profile of women within the Trust.

As these skills developed, national staff increasingly drove the process. Management meetings which previously were chaired by the ex-pat staff were chaired by national staff on a rotating basis, giving the opportunity to put into practice the skills they were acquiring by setting agendas for meeting, writing up the minutes and following up on decisions reached in the meetings. As the stated and publicized aim within the Trust was localization, national staff began to realize that they would have to develop these skills to manage operations and secure funding once the ex-pat staff left. The funding issue in particular focused minds: the continued success of the Trust equated to job security for the national staff.

Additionally, the documentation of work practices into quality procedures greatly empowered national staff. Job surveys were carried out right through the organization from the guards and cleaners to the top management. As everyone in the organization was consulted they saw that their input was valued and important. The use of a consultation process to change a procedure further empowered staff. This is particularly salient in the NGO context. Staff turnover tends to be much higher among ex-pat staff compared to national staff. Ex-pats are often employed on fixed term contracts (typically of two years) and generally in higher management positions than national staff. In organizations with little or no formalized procedures this can lead to a situation where ex-pat staff come into the organization and impose a new set of work practices on the NGO. Given that ex-pat staff tend to be in more powerful positions in NGOs this may not be challenged by the national staff, and as a result, a well-meaning newly appointed NGO director could easily turn an NGO on its head. ISO 9000 prevents changes being made without consultation with those concerned. Unless it is seen as an improvement, the organizational structure provided by ISO 9000 gives a mechanism for national staff to block it. This positive effect of ISO 9000 was cited by three of the four ex-pat staff interviewed and one of the national staff. This effect may have been less evident to national staff who have not worked for other
One aspect of national staff empowerment is culturally specific to Cambodia, but similar situations may be evident in other developing countries. Cambodian society places great value on respecting elders and those in positions of power. Thus staff tend to defer to more senior staff members and can be slow to challenge their views and decisions. The structure of ISO 9000 depersonalized decision making, made it much easier for staff to challenge the status quo and question the system rather than an individual or a superior. This was illustrated by email correspondence where a junior secretary challenged one of the clinic manager’s updates to the quality documentation. She was shown to be correct and the manager’s suggestions were not acted on. In Cambodia the legacy of Pol Pot and the Khmer Rouge still lives on from the 1970s. Under the Khmer Rouge, any challenge to power or exhibition of leadership meant almost certain execution. Cambodians still live with this legacy and tend to accept decisions of people in authority without critically evaluating them. This highlights the sensitivity needed when transferring any management norms from one context to another.

Strengthening of Systems

Failure has also been depersonalized. This is also of cultural significance in a country like Cambodia which lays great value on saving face. When something goes wrong, it is not the individual who is at fault but reflects a weakness of the system. ISO 9000 recognizes the iterative nature of continuous improvement and section 8.5.2 Corrective Action details the parameters of procedure for dealing with system failures, an opportunity to improve the systems to prevent problems reoccurring. Once the cause of failure has been identified as well as a method to prevent this reoccurring, the quality procedures are updated to reflect this.

ISO 9000 has also strengthened financial control within the Trust. Each clinic now manages its own budget and has a quality procedure in place for dealing with procurement. A Receptionist described how she must get three quotes and compare price and quality before purchasing, how she now checks patients’ expenses to ensure they are valid before paying. While this creates extra work she sees it as an improvement and connects this to improved job security.

Other direct savings include the reduction in waste of polypropylene raw
material in one process by 95%. This was due largely to section 7.6 Control of monitoring and measuring devices of the standard. A quality procedure specifies the temperature of the ovens be checked daily and it subsequently emerged that temperature variations were the main cause of wastage.

There are many other examples of direct and indirect savings accruing to the Trust as a result of the institution strengthening through ISO 9000 which have not been quantified by the Trust, as discussed below.

Customer Service

The customer focus of ISO 9000 has also brought improvements to the Trust. While these developments have mainly helped the beneficiaries, there has also been spillover effects benefiting the rest of the organization as discussed below.

The Trust gathers information about customer perceptions through patient questionnaires. These have shown that patients can feel insecure and out of place in the clinic surroundings: staff are now spending more time making them feel at home. Another issue that emerged was the length of time patients spent waiting. Using the ISO 9000 structure this issue was investigated and an improved system of handling patient files was developed. This reduced patient waiting time by 50% and the time staff spent looking for records by a similar amount. In interview, the Clinic Manager reported that previously, the casting for the prosthesis was made by the Prosthetist and Orthotist (P&O) in isolation, and only subsequently delivered to the patient and physiotherapist. As a result of the consultation process of ISO 9000, the practice changed. The P&O first explains the process to the patient, asks permission to take a casting and carries out a needs assessment with the patient and the physiotherapist before fabricating a prosthesis. The outcome is a better device for the patient resulting in higher customer satisfaction, less rework of devices, shorter physiotherapy and a longer lasting device.

In response to the question “Do you think clients know about ISO 9000?” 79% of respondents answered “No”. Many qualified this though, saying that while clients might not know what ISO 9000 was, they knew ‘something’ was being done to improve customer satisfaction.

Downside of the ISO 9000 Project
This section draws on respondents' answers to the question “What is the worst thing about ISO 9000?” Of the national staff 27% (or 17% of those interviewed) expressed no negative opinion at all, while expat staff tended to be most critical. The most frequent criticisms surrounded the volume of documentation and the cost to the organization in maintaining it. This was associated with extra work, especially at times of internal audits. The financial cost to the organization was seen by some as prohibitive and felt this would reflect badly in the eyes of donors, who might think if the NGO has money to spend on ISO 9000, then they don’t need funding from them. A number of staff (29%) found it difficult to remain committed to the project in the early days when it created a lot of work with no payback initially. Other staff (47%) expressed some difficulty in adjusting to a procedural way of working and the forms associated with ISO 9000 were viewed as time consuming, tedious, a waste of time or hard to follow. Also 31% of national staff (equivalent to 24% of all respondents) said the philosophy of ISO 9000 was not fully understood by everyone in the organization. There was concern about the possibility of losing certification in the future, and how this would reflect on the organization. Working with two languages was also seen as a problem. The complexity of the language and terminology used in the ISO 9000 standard and textbooks was in particular a considerable hurdle to overcome.

Some of these criticisms management had no control over, some are ‘bedding-in’ problems while others could have been better handled as discussed below.

Documentation Burden: This is inevitably going to be an issue with staff in the initial stages of the project. Over time this issue should fade somewhat. If it does not it is an indication that the system is not working well and is too paper intensive.

It is a careful balancing act to find the right level of documentation: too little and the system has no traction, too much and staff come to resent filling in forms.

Time Commitment: Again, this is a bedding-in problem. Once the system has settled down, the procedures should result in time savings to a greater extent than is required by documentation.

Understanding of ISO 9000: This takes time to communicate fully to everyone. Overall the Trust seems to have done well on this front by educating and involving its staff. However some work remains to be done here. This may be more of an issue in the regional clinics than at headquarters.
Cost to the Organization: This is an issue that needs to be seriously addressed by management as it is undermining staff commitment to ISO 9000. There has been insufficient attention to the direct and indirect costs and benefits of the project and some staff’s perception of the initial and ongoing costs are grossly inflated. This perception may have arisen in part due to an effort to rationalize the cost base of the Trust, disguising this as ISO 9000 procedures. While this has done some damage to the ISO 9000 project, it is not irreversible.

The ISO 9000 was funded by the wider Institutional Strengthening Project but little or no attempt has been made to calculate the direct costs of ISO 9000 or apportion some of the Institutional Strengthening Project’s costs to it. More should be done to quantify the direct savings to the organization (e.g. reduction in material wastage, how staff time savings have reduced average patient costs, etc.). Direct and indirect savings that cannot be easily quantified should at least be listed. A balance sheet of these should be presented to staff to demonstrate the net costs are far lower than perceived. If all savings and benefits could be calculated it might emerge that ISO 9000 has resulted in a net saving for the Trust.

Role in Securing Additional Funding: ISO 9000 certification can be used to leverage additional funding as it demonstrates that the organization is well managed as certified by an independent third party (serves as an indicator of due diligence). A group of businessmen from the Japanese Rotary Society were touring development projects in Cambodia. On seeing the ISO 9000 certificate at the Cambodia Trust they were so impressed they immediately committed to funding the organization. Overall the Trust has been able to leverage an additional 2% in funding from the ISO 9000 certification and it is a contributory factor in approximately one third of the overall budget.

Loss of Certification: This was phrased more in terms of the Trust choosing not to go for certification at some point in the future rather than having certification revoked. This is a valid concern: not recertifying at some point in the future, for whatever reason, would certainly damage the image of the Trust.

Concluding Remarks: Some of these problems can be tackled by remedial action, others will be forgotten once the process has bedded-in while some will be persistent. Overall it would appear the benefits of the ISO 9000 project far outweigh the costs. However a rigorous cost-benefit analysis is not possible as the direct and
indirect benefits have not been quantified by the Trust and the costs of the ISO 9000 implementation have not been separated from the wider Institutional Strengthening Project.

Best Practice for NGOs?

Having looked at one implementation of ISO 9000 by an NGO, this section will question to what extent this can be proposed as best practice for NGOs.

Structural Weakness – The Bottom Line

ISO 9000 does not prescribe a particular standard of quality, so as such it does not provide a simple bottom line for an organization to compare performance year on year or against other NGOs. What it does do is establish a set of objectives, in the form of a quality statement and quality objectives, that an organization can aim for and measure its own performance against.

Importantly, ISO 9000 is an external validation of the effectiveness of management structures for an NGO. In the absence of a simple bottom line of organizational effectiveness, the proportion of costs spent on administration is often used as a proxy indicator, the assumption being that the greater the percentage of donations that reach the beneficiaries, the more effective an NGO is. Minimising overheads does not equate to maximising effectiveness, and there is some optimum level of overhead that promotes maximum effectiveness. Nonetheless, it remains a common metric of NGOs performance, and is often publicized by NGOs themselves (4). Most government support to NGOs is conditional on no more than 5 -10% being used on overheads where in fact the real figure is probably up to three times higher at 15-30% (Ibid.; Smillie, 1999).

The pressure to keep administrative costs low (or appear low) has a number of undesirable consequences. One is that it encourages NGOs to bury these costs under other headings where possible (Ibid.). A second is that NGOs must find other sources of income to make up the shortfall, such as private donors or activities that bring in an income (5). Perhaps most seriously it is a disincentive for NGOs to invest in their organization and encourages them to cut corners (Bradley et al., 2003; Smillie, 1999).

ISO 9000 certification demonstrates that an independent third party has audited the management of the organization and certified that it adheres to what is
considered best practice by over 560,000 businesses worldwide. In this instance, being among the first to achieve certification is not an advantage. If ISO 9000 becomes widely adopted by NGOs, and enters the consciousness of donors – public and private – as a badge of a well run, effective NGO, it will carry a lot more weight. Currently the Trust is an anomaly and ISO 9000 certification may cause more confusion among donors than instant recognition as a well managed NGO.

Structural Weakness – NGO Culture

The tendency toward weak organizational structure is linked to a weak management culture in NGOs. This is of course a generalization, and there are NGOs that have seen the potential in strengthening their organizations and have done so to great effect. This is also a raw nerve with NGOs: NGO employees perceive this as a personal attack. To a certain extent it is – part of the problem with NGO culture is the individuals who gravitate to development work; part of it is the nature of NGOs and the system they operate in.

NGO staff do tend to be extremely hard working and often work in difficult (or even life threatening) conditions and generally for less than they could be earning in a for-profit organization. However this may be part of the problem, the ‘Do Now, Think Later mentality’ (Van Rooy, 2001. p.37), that dilutes the effectiveness of the work.

Development is difficult and expensive work. It requires careful planning over long time-frames and on a huge scale to bring about planned change in the highly complex systems of human interaction (Smillie, 1995). The difficulty for NGOs in this respect is that they are mostly value based organizations with open-ended aims like helping the poor, saving the children or protecting human rights. While these are worthy and noble aims, they are difficult to translate into meaningful, achievable and clear organizational goals and policy objectives (Edwards and Fowler, 2002). While it is unfashionable in development circles to act from a compassionate impulse, it is very often the case that ex-pat staff (i.e. those from the developed world) are motivated by wishing to ‘do something’ and ‘make a difference’. However it is not all bad news. These very characteristics of NGOs and their staff contribute to the generation of strong ‘social capital’ (6). NGO staff tend to be hard working and dedicated, and they also possess a strong social ‘glue’ of trust and networks (Morris,
2000). What is frequently lacking is a structure through which to channel these abilities to become an effective force.

ISO 9000 does not give them the structure they need, ready-made out of a box. It is the framework and the system they can use to develop the structure appropriate to their work, their environment and their style. The strong social capital within NGOs makes them very suitable for ISO 9000. This has probably been one of the reasons it has been so effective at the Cambodia Trust: social networks make the process of consultation work smoothly, high levels of trust between individuals allows them to rely on others in the process chain to ‘keep up their side of the deal’.

The quality procedures harness the hard work and dedication of NGO staff, channelling it into their respective responsibilities. Defined quality objectives prevent mission creep and organizational drift without detracting from NGOs flexibility and responsiveness.

There is also a strong motivational aspect to ISO 9000. Staff see how the organization is improving, that customer needs are being better met and that progress is being made towards the goals set.

Capacity Building

The Cambodia Trust’s experience of ISO 9000 has also been very positive with respect to capacity building. Staff are able and willing to take on more responsibility and have developed many management skills just from the exercise of getting certification. The organization, as well as the individuals that comprise it, has benefited.

A word of caution is necessary here though. One should begin by asking the question of what capacity is being developed by implementing ISO 9000? To what extent is the capacity developed by ISO 9000 only an ability to manage a developed-world quality system? One of the aims of the Trust is that national staff will have developed sufficient capacity to write their own funding proposals. Is this just imposing a system of developed world values and skills on the developing countries dressed up as ‘capacity building’? NGOs in the developed world contemplating adopting ISO 9000 should consider these questions carefully. The skills acquired and the capacity developed must be relevant to those acquiring them and the environment they operate in. Uncritical adoption of such systems may leave NGOs open to valid
criticisms that they are fostering a new type of dependence (Hilhorst, 2001).

NGOs should also be aware that ISO 9000 is one of the many QMS available. The Cambodia Trust chose ISO 9000 as it is externally audited, is seen as the ‘gold standard’ of QMS and as some of the staff were already familiar with the ISO 9000 family of standards (International Director, Cambodia Trust, 2003).

Sustainability

Using ISO 9001 as a capacity building tool has helped the Cambodia Trust hand over its operations to the local Cambodian staff. It is also emerging as a useful tool for cloning the operations of the Trust in new locations. The Trust hopes to be able to hand over the new operations in five to nine years. Three of the Cambodian staff have qualified as lead auditors and will be able to help in gaining certification for East Timor and Sri Lanka. It is heartening to see ISO 9001 - often viewed as a very 'western' management system - emerging as a tool for South-South cooperation in International Development. The new project in Sri Lanka and the transfer of skills from Cambodia will have a marked impact on the lives of those who will require long-term rehabilitation in the wake of the recent tsunami.

What Type of NGO Should Consider ISO 9000?

The decision to implement ISO 9000 by an NGO must be appraised on a case by case basis. ISO 9000 may be suitable for NGOs in the following cases.

? Medium to large NGOs where the complexity of the organization requires a formalised management system.
? NGOs that repeat similar projects. The experiences of one project can feed into the quality procedures to develop ‘organisational memory’.
? As a capacity building instrument. For NGOs that wish to become more ‘professional’, ISO 9000 provides a ready made tool for doing so. This is also effective for the localisation of NGOs where ex-pats are disengaging and passing running and control of the organisation to national staff. This was the primary impetus for the Cambodia Trust in implementing ISO 9000, as a means of defining and formalising good practices.
? To address a downward accountability deficit using ISO 9000’s customer focus ethos.
? Where the quality of the product or service is lacking: effective implementation of ISO 9000 (or other QMS) will correct this issue.
? To distinguish a particular NGO from others working in the field in the eyes of a donor. While this may be a contentious point, the reality is that NGOs compete for funds and ISO 9000 as a badge of competence may tip the balance.
ISO 9000 is probably not suitable in the following cases.

- Small NGOs where the time, energy and expense of developing a formal QMS is unlikely to give a positive return on investment.
- NGOs without a clear mission.
- NGOs that have already developed solid in-house management procedures.
- Advocacy NGOs. While it is beyond the scope of this research, the authors feel, a priori, that ISO 9000 may be more suited to the direct delivery of products and services, whereas advocacy NGOs seek to influence third parties to indirectly assist their beneficiaries.

Conclusion

NGOs are significant players in the development field. They enjoy greater trust from the general public than governments or multilateral agencies. While there is little evidence to support the common perception that NGOs are more effective than government agencies, there is currently an opportunity for NGOs to strengthen their organizations and really earn this accolade. This is in NGOs interests’ as it will put them in a position to set the development agenda and enhance their ability to raise funds. More research is needed in the spending patterns of NGOs. Better data on the true level of administrative overheads is necessary to determine the optimum level of investment in the organization.

The ever-louder calls on NGOs to be more accountable will come to bear on donors as well. As the idea that short-term project accounting focused on outputs of development aid loses currency, donors will look for new ways to choose the agencies they fund. Those NGOs who have already put strong management systems in place, and others that are doing so now, will increasingly be favoured for further assistance from donors.

These arguments are almost incidental to the central theme of this paper. Many NGOs are poorly run, are managed by people with the wrong skills resulting in poor quality of operations. NGOs need to invest more in their organizations, set clear objectives and become accountable to their beneficiaries. The tools to do this already exist and have been proven to work in for-profit organizations which have produced a wealth of literature and body of professionals versed in their operation. The boards of trustees and management of NGOs owe it to their hard-working and dedicated staff to invest in the organizations so the efforts of people on the ground are translated into meaningful outcomes.

The experiences of Cambodia Trust have shown that business tools like ISO
ISO 9000 can and do work well in an NGO setting. By being a well-managed organization the Trust has been able to reduce operating costs. By being seen to be a well-run organization the Trust has secured extra funding. This has strengthened the organization on a number of other fronts: as a capacity building exercise, in empowering national staff, by bridging the accountability gap – both downwards and upwards.

The adoption of a QMS has helped the Cambodia organisation become self-sufficient. Additionally, it has given them the skills and empowered them to assist in setting up new operations in other developing countries in the region. This is an object lesson in how quality can lead to sustainability.
1. In this paper, as elsewhere, 'ISO 9000' is used loosely to refer to the complete set of related ISO 9000 standards. For further details see the ISO website www.iso.ch. The Cambodia Trust has ISO 9001:2000 certification.

2. On their website and annual reports Cambodia Trust state “for every £1 donated, 86p was spent on direct charitable expenditure.” (Cambodia Trust, 2002, p.21)

3. The most common way NGOs earn an income is through contracting for governments and multilateral agencies. This is discouraged in the development literature (for example, Smillie, 1995) as it is seen to undermine NGO independence.

4. Morris defines social capital as “the features of social organization, such as trust, norms and networks, that can improve the efficiency of society by facilitating co-coordinated actions”.

5. To the best of the author’s knowledge. In response to an enquiry, ISO said they were not aware of any NGOs in the developing world with ISO 9000, but that it was difficult to comment as they were not directly involved in the certification process.

6. As of 2003 only eight of the over 100 staff of the Trust are expats. Four of the eight expat staff are employed by the school. To maintain its Category II ISPO accreditation certain staff qualifications are required which currently cannot be filled by Cambodian nationals. It is envisaged that these will be filled by Cambodian graduates of the Trust’s school in the coming years.
Bibliography


