A Commemorative event for the 60th Anniversary of the United Nations Statistical Commission

Seminar on "Evolution of National Statistical Systems", 23 February 2007

Panel Discussion: Prospects and Risks for the Future: How to Manage Uncertainties?

Needs for change and adjusting to them in the management of statistical systems

Heli Jeskanen-Sundström
Director General
Statistics Finland

Content:

1. Introduction

The unprecedented speed at which information and communication technologies have been advancing as well as the globalisation of economies have accelerated development in today's societies. The ensuing changes are reflected in all areas of society. The operating environments of organisations working in the midst of these changes have grown more and more complex and difficult to manage. It comes as no surprise, therefore, that new management theories and practices have also been evolving fast over the past decades.

The immediate effect of the social and economic changes on statistical organisations is twofold. On the one hand, the focus of their work keeps shifting constantly. As society changes, the statistics describing its development must also change. Upholding the relevance of statistics requires perpetual revising of their production. On the other hand, as the environment changes the conditions under which statistical organisations operate also change. Adjusting to the altered operating environment constitutes a challenge to statistical organisations as they review their management systems. Help in meeting this challenge can be sought from modern management tools.

2. Environment is changing and users' needs are growing

The development of official statistics is closely linked with the economic and social development of a society and its administrative structures. During the past decade, discussion about the information society and its future prospects has been ongoing among politicians, researchers and statisticians. It is evident that the development of the information society causes a lot of changes in official statistics.

In spite of the fact that the information society presents new challenges to official statistics, our main mission remains the same as before. The basic task of official statistics is to provide reliable, high-quality and relevant statistical information for citizens, general government, businesses, scientific research and international organisations. Today, like in the past, wide and manifold supply of statistical information is necessary for the proper functioning of modern democracy. Furthermore, a high-quality statistical infrastructure enhances the ability of markets to operate efficiently. It also enables the functioning of the international financial system. Statistical information gives transparency and accountability to the decisions of authorities and politicians.

The internationalisation of economies, globalisation, rapid advance of new technology and electronic networks, increase and diversification of statistical needs, tougher competition on information markets, changes in production structures, business reorganisation, and so forth, all impose increasing pressure on national statistical systems. The more complex economic phenomena and linkages become the greater and more specific will be the needs of the users of statistics.

There are hardly any international agreements or conventions without linkages to statistics. On a global level, the Millennium Development Goals or the Kyoto Protocol mean new challenges to official statistics. Within the European Union, the treaty itself, the functioning of the Economic and Monetary Union and the Lisbon strategy are all well known examples of the demanding challenges for the European NSI's. Policy targets are more often expressed in quantitative terms. Furthermore, follow-up and monitoring systems are strongly based on statistical information. Scoreboard and observatory reports etc. demand more and more diversified benchmarking information. Users like to have internationally comparable data.

Parallel to the growing international demand for statistics, the needs of domestic users have remained plentiful. Statistics and statistical indicators have an important role in empirical studies and model building supporting policymaking. Indicators like government net lending, public indebtedness, inflation rate, interest rates and unemployment rate are important in making national and even international economic policy programmes. National development strategies or growth and stability programmes are good examples of policies where national and international points of view are taken together.

3. Management challenges of the statistical systems

The main challenges to national statistical institutes are related to the ability to cope with new and ever changing data requirements, to the capability to maintain high quality of statistical products and services and to the overall ability to produce value for customers, other users and tax payers. Taking into account the limited – and in some cases decreasing – resources, it is important to be effective and to improve productivity.

Strategic management has become more and more important to different kinds of organisations. This is also true of statistical offices. Styles of management are changing at national statistical institutes, too. Development of a management and strategic planning system, including total quality management, moving towards the management of processes, improving customer intimacy, and better management of people are among the most topical management issues. Focusing on the future, and on the enablers, instead of only measuring the consequences of past actions, is essential. Maximising quality in each of the separate products, surveys, processes and systems is necessary, but it is not sufficient. Understanding that quality is an issue of strategic management helps an organisation to manage the change needed to reach performance excellence and become a top quality institute.

The establishment of a new statistical system usually takes two to three years. For this reason, statistical offices should be able to discover new information needs as early as possible. They have to be proactive rather than reactive. They have to continuously analyse their operating environment in order to see the early warnings – sometimes weak signals – of possible changes and underlying factors which have to be measured. Statistical offices cannot react on short- term, ad hoc needs only but should be able to build up systems which can also satisfy the information needs of future users. In fact, this makes our strategic planning extremely challenging – and difficult. To meet such challenges, continuous dialogue between statistical offices and national and international users, data providers, businesses, universities and research institutes is of crucial importance.

Today's challenges - and the biggest risks - to the management of statistical systems can be condensed into the following questions:

- Society changes at ever-increasing speed. How well can statistical authorities anticipate these changes and continuously develop their activities and statistics accordingly?
- The weight of statistical information in political decisions and in their monitoring is increasing. How can the independence, sovereignty and impartiality – and ultimately the credibility – of statistical authorities be upheld under these conditions?
- There is an overwhelming supply of information, especially due to world wide web. How can statistical organisations secure their visibility on the information markets as producers of reliable factual data?
- IC technology continues to develop rapidly. How efficiently and productively can statistical offices exploit new technologies?
- Official statistics are regulated by a variety of laws. How can the interests of official statistics be safeguarded when the legislation changes?
- Official statistics are dependent on high-quality basic data. How can the data suppliers' motivation to respond be held sufficiently high?
- In many countries – like in Finland – a vast proportion of statistics is produced by exploiting administrative registers. What is the future of register-based statistics as administrations develop?
- The public sector and international organisations face tightening financial constraints. How can the efficiency and productivity of statistical offices be raised so that they can continue to develop their activities even within limited budgetary frameworks?
- Competition for skilled and professional employees is toughening on the employment markets. How do statistical offices fare in this competition?

To be prepared for these kinds of challenges and relating risks, and to be able to manage activities so that they produce successful outcomes, a system must be employed by which information about changes in the operating environment can be continuously gathered and analysed. We should have a solid management system in place to recognise the risks and to avoid them in advance.

4. How to identify risks and uncertainties?

In recent years, total quality management (TQM) has emerged as an instrument that can help organisations meet today's changing society successfully. The broadly used 'highest level' concept of modern quality is the balanced and total performance excellence of an organisation viewed by stakeholders. In order to achieve this long-term target, we should be able to identify the key development elements, to manage the change and to assess interim results. For this purpose the proper tools are needed. Like many business organisations, Statistics Finland considers the Quality

Award Framework as the best available tool for assessing the overall performance of an organisation, for identifying problem areas and for finding improvement ideas.

TQM puts the emphasis not only on the statistical quality of products but also more widely on management systems as a whole, and on processes as well as on people working in these institutions. It offers numerous novel ways of thinking as well as practical methods to an organisation striving for performance excellence.

The most exhaustive and widely used TQM tool is the quality award model. Roughly one half of public organisations in Finland use a quality award model in their activity in some way. In the past, the most commonly used one was the Malcolm Baldrige (MB) model originating from the USA but the European ”EFQM Excellence Model” framework has been increasingly adopted since 2001. This framework puts emphasis on the following management elements: leadership (including the values and ethics of an organisation), strategy and policies (incl. planning systems), human resources, partnerships and resources, processes and results.

The EFQM model defines the following as the fundamental concepts of organisational excellence:

- Results orientation
- Customer focus (users’ needs)
- Leadership and constancy of purpose
- Management by processes and facts
- People development and involvement
- Continuous learning, innovation and improvement
- Partnership development and
- Corporate social responsibility.

An overall description of organisation - its goals, way of working and the results - is usually produced in the context of a quality award application. The self-evaluations follow the same model, too. Statistics Finland has performed a quality award self-evaluation in 1998, 2002 and in 2005 as part of its continuous work to improve activities. In 2006 we took part in the Finnish national quality competition. Even though we did not win any prize, we can consider our participation as the ”best investment ever done”. The application of specified form written by us consists 75 pages describing our management challenges and practices and main results according to the EFQM framework and its criteria. A group of independent assessors evaluated our activities on the basis of the application and on an assessment visit to us. Afterwards, we received a report of their findings. They gave us feedback on strengths and weaknesses as well as on good practices and improvement areas as they saw them. This report forms an invaluable input for updating our strategies, plans and practices in the near future.

5. The framework of managing the change

Once the weaknesses and risks have been identified and assessed, we need to manage the change. The quality award model and its use as an assessment tool draws a picture of an organisation’s strengths and areas needing improvement. At the next stage, development projects have to be prioritised and their launching and implementation have to be managed. An excellent instrument that is highly compatible with a quality award system is the Balanced Scorecard (BSC) model, originally launched by Kaplan and Norton in 1996.

Statistics Finland adopted BSC as its strategic management tool in 1998-2000. Since then, our strategy has been revised in 2003 and the revision process is ongoing again, but the strategic management system has remained unchanged.

According to the BSC model, the success of an organisation depends not only on its economic and financial resources and potential but also on its ability to combine economic goals to the strategic goals that relate to customer satisfaction, internal processes, and competence and renewal of its staff.

The quality award frameworks and the Balanced Scorecard model actually work very well together. The BSC is a useful tool for the communicating and monitoring of strategic goals and for managing the necessary changes. BSC is a comprehensive and balanced model that combines the strategy of an organisation and its operational activities from four different perspectives.

The original BSC model comprises four perspectives:

- The Learning and Growth Perspective – What kinds of capabilities, technology and organisational culture do we have to invest in because of our strategy?
- The Business Process Perspective – What are our key processes from the point of our strategy?
- The Customer Perspective – What promises do we make to our existing and potential customers?
- The Financial Perspective – How do we have to perform to succeed financially?

Besides the customer perspective, Statistics Finland has also added to the model it uses a fifth perspective of social responsibility – how can we respond to the ever changing information needs and increase the value tax payers get from official statistics?

The basic idea of the BSC model is that only motivated and competent people have the will and ability to renew processes. If so, it in turn gives more value to customers and tax payers and leads to better customer satisfaction and, in consequence, the financial results of the organisation will improve. The usual financial measures are considered as lag indicators, i.e. they report on outcomes, consequences of past actions. Redirecting the main focus to employees, processes and customers automatically means shifting it to future enablers.

BSC means a huge learning experience for the whole organisation. Although the model is simple, its application to an organisation is a demanding and time-consuming task. Quite often budgeting and performance review processes are done separately from the strategic planning process. According to experiences at Statistics Finland, the BSC-based management system should be integrated into the organisation's overall annual and long-term economic planning and monitoring process. Actually, the performance management system, applied in Statistics Finland since 1992, has been fully integrated to the strategic management system based on BSC. The decisions concerning development priorities and resource allocations have to be based on the strategic goals. The strategic goals have to be realistic so that they can be reached with the available resources and within a certain time frame.

6. Additional tools complement strategic management

Besides of the current performance management and strategic management systems, we have introduced some complementary office-wide tools in order to better face the new uncertainties and challenges. The most important ones are the project and programme management tools and process management systems.

One of our strategic goals has been “productive development activity”. In developing new statistics and services and in revising the old systems, we wanted to get high quality results as fast as possible and with the lowest possible costs. This led us to develop our project management. We started already about five years ago by systematic introduction of project working methods and systems supporting project work, including the project databank on our intranet. These tools have indeed enhanced the efficiency of the development activity. As a part of our strategic and performance management we manage our project portfolio.

Since 2002, the further development in this area was to start programme management in order to foster the change in the most important strategic areas. The first office-wide strategic programmes we started were: the development of new production model, introduction of Customer Relations Management, development of leadership and supervisory work, Personnel 2010 Programme and Productivity 2010 Programme. In the beginning of this year, we launched three new programs: statistics and challenges relating to globalisation, coherence of statistics on prices and volumes and data collection from businesses. These programs form a kind of umbrella for the individual projects and other actions of the different organisation units active in these fields. The programs help us to manage the desirable change in a more co-ordinated way towards the common targets.

In order to respond the users’ need effectively and to avoid risks of wrong decisions, mismanagement and errors, the focus has shifted more and more to processes. Even though most of the single statistical, administrative and management processes are well defined and documented, the entity of ‘process space’ and the uniform way to manage processes in the context of the current management system, need special attention in our office. Currently, the work on office-wide process management guidelines is in progress.

7. Concluding remarks

The management systems of an organisation are never good enough. The environment is changing and the systems have to be improved continuously. The experience of Statistics Finland suggest that the best we can do, is to learn from others. Indeed, we do not have to be the best organisation, but we should be among the best to learn from others. In Finland, we have adopted and applied a lot of modern management tools developed originally for business environment. The main management challenges are - in the end - very similar.

In developing the management systems, we need to have a continuous information flow on the needs and prerequisites and a good knowledge on our strengths and weaknesses in order to modify the strategic targets. We also need to have a solid management framework in order to foster the change and to measure whether the targets are met.

A RADAR model of the EFQM quality framework gives some guidelines, how an organisation can effectively develop its activities and continuously improve its performance. The steps are the following:

- Determine the **R**esults that are aimed for
- Plan and develop an **A**pproach
- **D**eploy the approach in practice
- **A**ssess and **R**eview the approach and its deployment

- and go back if necessary or determine the new results that are aimed for. According to the experience of Statistics Finland, this model fits well into any action of our organisation, including the development of management.

References:

European Foundation for Quality Management: www.efqm.org

Kaplan Robert S. and Norton David P. (1996), The Balanced Scorecard: Translating Strategy into Action, Harvard Business School Press, Boston, 1996.

Kaplan Robert S. and Norton David P. (2001), The Strategy-Focused Organization, How Balanced Scorecard Companies Thrive in the New Business Environment, Harvard Business School Press, Boston 2001.