

Addressing Quality Issues In A Public Sector Context: Management In National Parks

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Abstract

Management of national parks and other protected areas has changed considerably since the reservation of the world's first parks in the late Nineteenth Century. There have been numerous techniques, strategies, models and formulas put forward over the years as management has grappled with the increasingly complex situation that park agencies face.

This paper investigates the value of a quality management framework for addressing the issues facing park management agencies. The analysis suggests that the application of quality principles that have been developed in the private sector may not be easily applied in the public sector where the complexity of the situation is so much greater. Parks Victoria is an example of a park management agency that has introduced many of the quality principles yet has now found itself being dismantled. In applying those principles it has essentially neglected some of the stakeholders that are now in a position to exert significant influence.

Like many public sector agencies, Parks Victoria faces multiple constituencies often with conflicting needs and aspirations. Its decision to focus on just one of these - the customer - certainly did not contribute to its longevity. The paper suggests that the principles of TQM should be revisited to clarify the role that stakeholders could play in quality management in public sector agencies.

Introduction

Australia possesses a world class protected area system the most widely recognised of which include world heritage areas, national parks, state parks and regional parks. The major purpose of these reserves is to provide protection of representative samples of Australia's natural ecosystems and special arrangements are made for their protection and management. In addition to this protectionist purpose, these areas are also set aside to "provide for the education and enjoyment of the public". This means that the management agency responsible for the protected area must provide opportunities for the recreational and tourist use of these reserves, provided such use is not to the detriment of the natural values of the reserve. It is this latter purpose that is the focus of this paper.

The management of Australia's protected areas have been subject to the same forces that have been affecting other areas of public sector management. These include the move to smaller government, a reduction in public funding, a call for improvement in the quality of services delivered and pressure to outsource service delivery (Coaldrake and Stedman, 1998). These forces have led to numerous changes in the way that parks are managed.

At the same time, park management agencies have come under pressure to provide more opportunities for visitors to their estates. Increasingly their performance is measured by the number of people who visit. Moreover, as decreasing government financial support has been replaced by charging people to visit the parks, they have been encouraging such use to enable budget balance.

As these protected areas usually contain some of Australia's most spectacular scenery, park agencies have come under great pressure from the tourism industry to provide more opportunities to meet the increasing demands of international and domestic tourists. In the Northern Territory, the best tourism assets are those under some form of protected area management. In Victoria, Tourism Victoria's latest *Strategic Business Plan 1997-2001* suggests that there is a need "to fully capitalise on the State's natural attractions in terms of tourism" and provides a number of strategies to increase awareness of national parks and support the development of quality product in order to "extend the range of nature-based opportunities". The Plan envisaged that most of these developments would be run by private operators. Indeed, it also expected that they would be built and financed by private companies in the same way as other Build Operate and Transfer (BOT) projects are developed in other sectors.

In Victoria, the latter has led to a number of proposals to develop tourist operations in protected areas. These include the development of Seal Rocks on Phillip Island, accommodation in Cape Otway National

Park, a tourist development at Port Campbell National Park (near the Twelve Apostles) and an accommodated walking trail at Wilsons Promontory National Park. Once established, these developments operate as concessions within the park. While such concessions are fairly common in the United States national parks system, they are relatively new in Australia. As a result, their introduction has been particularly controversial with many conservation and community groups claiming that such 'commercial exploitation' of Australia's natural assets should not occur (Frome, 1992 ; Figgis, 1996 ; Figgis, 1999).

The introduction of these private and agency-run commercial developments in parks has raised a number of issues about the potential conflict created by the imperative of maintaining the commercial viability of enterprises and the need to maintain the conservation and social values of the parks. In particular, there are concerns about the way the commercial imperative of business growth could conflict, both conceptually and practically, with conservation goals and a finite resource. These concerns have been verified through recent work in Gurig National Park in the Northern Territory (Foster, 1997). In this case, the establishment of an 'eco-resort' within the park resulted in enormous changes to the park environment with the construction of roads, air strips, jetties and camp sites. None of these were envisaged when the original proposal was agreed to. They were introduced to ensure the on-going financial viability of the resort.

Victoria's approach to park management has differed from other states. As was the case in many other parts of the public sector, the Liberal State Government changed the face of park management by introducing a purchaser-provider model of service delivery. In 1996 it established Parks Victoria as a statutory authority to become the "premier park management agency for over 4 million hectares of the State's national and regional environmental, recreational and tourism assets" (Parks Victoria Promotion Brochure). The services of Parks Victoria would be 'purchased' by the Department of Natural Resources and Environment (DNRE) which would determine how much and what kind of services are required. The objective was to ensure that Parks Victoria would be operated on corporate principles to deliver services in an efficient and effective manner. Although unstated, it has been suggested that it could become one of several agencies that would compete to provide the services sought by DNRE on behalf of the Government¹.

Since its creation Parks Victoria has set about establishing itself as "a contract operator and manager of the park systems which are owned by the Government of Victoria" (Weston, 1998 : 29). It has adopted many of the principles of quality management and attempted to develop a corporate culture that is appropriate to this objective.

Donnelly (1999) outlined the complexities that public sector agencies face in the formulation of a strategy for the management of quality. He argued that :

"although many of the strategic choices open to commercial operations managers are also available to managers in the public services, quality management in the public sector has to engage with complexities and work environments rarely experienced in the commercial sector" (Donnelly, 1999 : 1).

In particular, he stressed that public sector organisations have a multitude of purposes that extend beyond that of being a service deliverer. He warned that "the formation and development of corporate - and service quality - strategies must take these diversity of purposes . . . as driving forces and not merely as contextual considerations" (Donnelly, 1999 : 3). He also suggested that in the development of these strategies in public sector services there are a number of stakeholders that need to be considered including "the service users and consumers; future or potential users; excluded and non-users; citizens; local communities; elected members; decision-makers; employees; other public agencies; commercial and voluntary sector partners; professional associations and society as a whole" (Donnelly, 1999 : 5).

This paper seeks to demonstrate the complexity of the issues facing park management agencies when they seek to introduce quality concepts and ideas into their management framework. Even in the case of Parks Victoria, where a statutory authority was established to introduce corporate ideas, the same complexities had to be faced. It also seeks to demonstrate that in quality management the current focus on the customer as the main (if not the only) stakeholder is inappropriate.

What has Parks Victoria done about Quality?

¹ The Annual Report of DNRE always referred to Parks Victoria as one of the specialist park agencies that could manage the State's protected areas. The implication was always that others would emerge.

Parks Victoria's 'Vision and Values Statement' demonstrates its interest in and commitment to quality customer service. The vision statement highlights the importance of people: "an outstanding park and waterway system, protected and enhanced for people, forever". Its key values are: "a custodial role; openness and honesty; outstanding leadership; enjoyment; quality service; decisiveness; community participation; taking responsibility; personal and professional development; diversity of people and ideas; rewarding achievement; innovative financial and asset management; fostering teamwork; appropriate commercial partnerships; and respect, encouragement and support for others". These certainly reflect a 'quality' framework.

Parks Victoria's Annual Reports provide further insights into the organisation's view of quality. Unlike most park management agencies, Parks Victoria established a number of non-financial targets by which its performance could be judged each year. These key performance indicators include the number of 'visit days' spent in different parks, the number of phone calls to a centralised information service, and a number of measures of customer satisfaction. The latter includes measures of satisfaction with different groups of parks (metropolitan vs. protected area parks), satisfaction with the information service, the adequacy of metropolitan recreational opportunities and the adequacy of regional open space. There are also measures of the community's perception of Parks Victoria as an organisation.

Considerable money and effort has been expended by Parks Victoria's to understand its customers. A new monitoring system was introduced in 1997 to more accurately determine the number of people who visited parks throughout the state. Even this basic data was previously lacking as many of the parks are quite isolated and are not staffed at all times. A new system to monitor customer satisfaction was also introduced. Approximately 10,000 visitors at 22 national, state and regional parks, 17 metropolitan parks and four piers are surveyed each year. They are asked one standard question then asked to rate the park or pier they had visited on a sliding scale of satisfaction. To gain an insight into the perceptions of the broader community (including those who do not visit parks) a telephone survey of approximately 1,000 Victorians are asked questions about Parks Victoria's performance as a manager.

In terms of commercial concessions, the main control has been the lease or licence under which the concession operates. As with other forms of out-sourcing the establishment of a lease or licence has meant that the agency has had to consider what type and standard of service is required (Industry Commission of Australia, 1995). In some of the recent concessions these documents have been extremely comprehensive with one being almost 8cm thick. While the details of this contract are confidential it is known that it includes specification as to the length of time that clients should be expected to spend in the facility and the proportion of clients that should come from particular visitor groups (eg. school children). There are also requirements for the concessionaire to undertake visitor satisfaction monitoring with target levels being specified. There are a number of penalties that can be imposed if these and similar quality measures are not achieved.

Tour operators wishing to take clients into parks and other public land reserves require a permit from Parks Victoria. A condition of this permit is that the operator must be accredited through the Victorian Tour Operators Association (VTOA) Accreditation Program 2. This permit seeks to ensure that tour operators act in a responsible manner and that they provide a reasonable quality of service, including an appropriate interpretation or educational component.

Over the last twelve months Parks Victoria has undertaken a major exercise aimed at introducing customer service standards for all commercial operations conducted on its estate. These standards cover five commercial products: roofed accommodation; food services; camping; commercial tour operations; information and education. Their introduction seeks to improve the level of service offered to visitors. "In customer service terms, if a facility has been developed . . . then visitors have an expectation that the services and facilities they use will be of a high standard and that the operators are good park 'citizens'" (Parks Victoria, 1999). The introduction of the customer service standards have been an attempt to ensure that all commercial activity in the parks would meet these expectations.

² This is currently being replaced by the Better Business Program which is a very similar tourism accreditation program but covers a greater range of operator types.

At the national level there has been considerable work done on benchmarking processes in the delivery of commercial park services (Parks and Wildlife Commission of the Northern Territory, 1999). This sought to establish best practice amongst all park management agencies in Australia and New Zealand.

These examples of initiatives undertaken by Parks Victoria demonstrate a commitment to quality principles and outcomes. There is certainly a recognition of the value of these ideas and concepts in improving organisational performance. Amongst park agencies around the world, Parks Victoria is recognised as being at the forefront in introducing quality to park management. This was evidenced in the delivery of an international conference on Quality Management organised and run by Parks Victoria.

The Success of Parks Victoria

This cursory description of some of the activities undertaken by Parks Victoria demonstrates the emphasis that the organisation has placed on improving the quality of its service and its operations. Reference to its Annual Reports would certainly suggest great success and achievement. However, all has not been well.

The agency has been the subject of much criticism by certain interest groups. They have claimed that there has been too much emphasis on the instrumental purpose of parks. Many have suggested that this has led to over-development and commercialisation of many of the parks (Figgis, 1999). These critics would prefer that greater emphasis be placed on the intrinsic value of parks. That is, that they should be managed to protect their ecological values for their own sake rather than for the benefit of humans. Moreover, any development or use that is made of the parks should be of a particular type - one that requires visitors to engage with the environment on its terms (Sax, 1980).

Some community groups organised themselves to oppose these developments and engaged in extensive public campaigns. Two examples of this are a proposal to develop a new hotel and commercial accommodation at one of Victoria's premier parks (Wilson's Promontory National Park) and a proposal to develop an interpretation centre plus an up-market restaurant at the Nobbies on Phillip Island (Seal Rocks). Without going into the detail of those protests, in the Wilson's Promontory National Park case the proposal was withdrawn by the agency and in the latter case, although it was built and is now operating, the opposition was so strong that the state government of the day lost a bi-election in the area.

While the Liberal State Government, which focussed on economic development and material well-being, was in power the agency continued to persist with its strategy and sought to refine the process by which new proposals for commercial development were considered and implemented. This resulted in the creation of a reasonably sophisticated model with greater emphasis on financial and environmental feasibility and the involvement of the public in decision-making. At the time of writing this has not been implemented.

In September 1999 the Liberal Government was replaced by a Labour Government which depended on the support of independents to get into office. One of these independents, who holds a seat in the area where Seal Rocks is located, had been very critical of that development and had opposed many other initiatives of Parks Victoria.

In its first six weeks in power, the new Labour State Government announced that it would restructure the whole park management field in Victoria including the splitting in two of Parks Victoria. It is to be replaced by two separate organisations - one with responsibility for urban and metropolitan parks and the other with responsibilities for natural area parks.

It is often said that the primary objective of any organisation is survival (De Gues, 1997). Clearly Parks Victoria failed in this endeavour. The objective of this paper is not, however, to criticise Parks Victoria. Rather it is to review what the case says about quality management theory and what it can teach us about organisational survival in the public sector.

What lessons can we learn?

A preliminary analysis of the case of Parks Victoria has suggested two implications for the application of TQM principles in public sector organisations. The first of these reinforces the requirement to look beyond the needs of direct external customers and try to understand the needs and views of stakeholders. The second is to suggest that some public sector organisations have multiple purposes that extend beyond that of service delivery. While the principles of TQM are relevant to the service delivery purpose, work needs to be done to explore its appropriateness to what can be called the 'community development' purposes of those agencies.

Customers vs. Stakeholders

Total Quality Management has been described as a philosophy of management that strives to make the best use of available resources and opportunities by constant improvement. Oakland, *et. al.* (1996) who acknowledge that it is “difficult to find a universally accepted definition of what it actually means” describe TQM as “an approach to improving the competitiveness, effectiveness and flexibility of a whole organisation” (Oakland and Sohal, 1996 :18).

Following an extensive review of the literature Terziovski (1997) describes TQM in a similar manner as a “management philosophy that integrates business strategy, management practice and organisational outcomes to create a quality organisation that continuously improves and sustains performance” (Terziovski, 1997 : 10). TQM focusses on seven key areas of performance including :

- focussing on the customer;
- continuously improving processes, products and services;
- leadership;
- policy and planning;
- information and analysis;
- involving and empowering people; and
- business performance (AusINDUSTRY, 1994).

As a management philosophy, TQM encourages organisations to look beyond the quality of the products or services they provide to the quality of all aspects of organisational activity and to continuously improve the way things are done. Parks Victoria was attempting to do this. It was also adhering to many of the principles outlined above.

Perhaps the most widely acknowledged principle of TQM is the focus on the customer. “Each part of an organisation has customers . . . and the need to identify what the customer requirements are, and then set about meeting them, forms the core of a quality management approach” (Oakland, 1993 : 225). Understanding how and when this should be done has been the subject of much research. So too has the challenge of measuring customer satisfaction (Parasuraman, Zeithaml *et al.*, 1985 ; Parasuraman, Berry *et al.*, 1990; Parasuraman, Zeithaml *et al.*, 1994; Zeithaml, Berry *et al.*, 1996).

The centrality of the customer in the quality paradigm is normally unquestioned. “Customers . . . will be sovereign, because quality is defined by the customer” (Clarke and Clegg, 1998). Bounds *et. al.* (1994) suggest that TQM is about enhancing ‘customer value’ which they define as “a combination of benefits and sacrifices occurring when a customer uses a product or service to meet certain needs” (Bounds, Yorks *et al.*, 1994 : 64). Thinking of quality in terms of customer value (i.e. from the perspective of the customer) overcomes the tendency for staff in different functional areas of the organisation to have different views of what is quality (Garvin, 1988).

Commercial/private sector organisations see the centrality of the internal and external customer as appropriate, although the idea of doing whatever the customer wants has been queried in the last few years (Rust, Zahorik *et al.*, 1994). This focus is partly because the nature of the customer is very clear-cut. They are the persons (current or potential) paying for and receiving the service. However, in public sector organisations the situation is far more complex as there are a wide range of ‘customers’ many of whom are detached from the service arena in terms of direct payment (Donnelly, 1999). These include those who may be non-users of the service, those who are unwilling to receive the service or those that aren’t even aware that the service exists. While some quality researchers and practitioners use a broad definition of customers to include these groups, it may be appropriate to think of these as stakeholders.

Recent work by Clarke and Clegg (1998) and Foley (1999) has investigated the role that stakeholders play in quality management in private sector companies and introduced what is called a “Stakeholder Model”. Foley (1999) argues that it is not possible to understand the nature of modern enterprise “without a deep understanding of the nature of stakeholders, the interests which shape their behaviour and the dynamic interaction of their interests” (Foley, 1999 :95). Greenley, *et. al.* (1997) go so far as to suggest that “the interests of stakeholder groups are wide and diverse, and failure by companies to address these interests may be detrimental to their performance” (Greenley and Foxall, 1997 :259).

Foley (1999) argues that a key task of a modern business enterprise is to identify its stakeholders and their needs and expectations, determine how to address those needs and expectations, and to convey enterprise performance and plans in a form acceptable to them. He has shown that although the purpose of business is to make profits by selling goods and services, in that process “business will need to consider its relationships with a variety of groups, a number of whom have a stake in the business, and in whose interests the business correspondingly has a stake” (Foley, 1999 : 93).

In a similar vein, Hardie (1997) suggests that management of a business organisation “has to co-ordinate the interaction of the stakeholders so that the organisation continues to add value . . .” (Hardie, 1997 : 30). He goes on to state that :

‘Each stakeholder has a contribution to make to the organization; and each stakeholder requires value from the organisation in return. The art of management is to balance the demands placed on the stakeholders and to balance the value which is provided to them. If the balance is not achieved, the organization suffers’ (Hardie, 1997 : 30).

If this is the case with private sector organisations then it is even more important for public sector agencies or their hybrids. The relationship between constituents and a public sector organisation is not simply that of a customer relationship based on market principles (Moon, 1999). Indeed, the agency may have multiple stakeholders with conflicting needs and aspirations. To focus on those regarded as customers who are the direct recipients of the service (whether they pay for it directly or through their taxes) will inevitably lead to major problems as faced by Parks Victoria. Moreover, Donnelly (1999) has noted the diversity of purposes of public sector agencies, many of which go beyond that of provider of services to include such things as community development and provider of choice (see below). When stakeholders are not listened to, these alternative purposes are suppressed in the attempt to focus on customer needs.

While not the prime focus of this paper one would be remiss if the question of who or what are stakeholders is not addressed, albeit briefly. Clarkson defines them as “persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities . . .” [Clarkson, 1995 #694]. In a similar vein Greenley *et. al.* (1997) suggest that a stakeholder is “any group who can effect, or is affected by, the achievement of an organisation’s purpose” (Greenley and Foxall, 1997 : 260). This very broad definition includes shareholders, management itself, employees, consumers, competitors, suppliers and unions. Foley (1999) adds the wider community to this list while others include inanimate objects such as the natural environment (Mitchell, Agle *et al.*, 1997).

Given relatively innocuous definitions of this type, how can managers of either public or private organisations know which groups have a legitimate claim to being stakeholders? It could be equally negligent for an organisation to devote too much time and resources to self-serving groups that do not have a legitimate claim to be stakeholders as it is to ignore all external groups (except customers) as irrelevant.

Mitchell *et. al.* (1997) has addressed this question and attempted to develop a theory of stakeholder identification “that can reliably separate stakeholders for nonstakeholders” (Mitchell, Agle *et al.*, 1997 : 854). They suggest that broad definitions do not help managers to sort out who or what should be considered to be stakeholders. They propose that the three attributes of power, legitimacy and urgency can be used to create a typology of stakeholders which managers can use to identify which stakeholder type they should respond to. Understanding these dimensions within a dynamic framework can help organisations to focus on salience in manager-stakeholder relationships thereby realising their aspirations (Mitchell, Agle *et al.*, 1997). This is different to former theories that suggest that managers should only pay attention to those that have legitimate claims.

Organisational Purpose

Hoyle (1994) has differentiated between three dimensions of quality : product quality, organisational quality and business quality. Most of the research prior to his publication had focused on product quality with its emphasis on the extent to which products and services meet the needs of specific customers. Organisational quality refers to the extent to which the organisation maximizes its efficiency and effectiveness through minimizing waste, good human relations, etc. This has been the focus of much of the TQM work in the 1990s. Business quality, on the other hand, is about “the extent to which the business services the needs of society” (Hoyle, 1994 : 11). This latter dimension extends the focus beyond the internal operations to suggest that long term enterprise development must recognise the significance of its relationship to the broader society.

However, Foley (1999) asks the rhetorical question of whether being sensitive to these broader issues is really part of the aim of business? In others words, do businesses have a duty to do more than make profits? His answer is no. “The business enterprise exists to provide goods and services in order to make profits; if it is not making profits, its *raison d’être* is violated” (Foley, 1999 :91). He does go on to point out, however, that :

“this is only another way of saying that in seeking to provide the conditions for profit making, the business enterprise will ignore staff, suppliers, customers, the environment and the community interest at its peril.

*It is not the purpose or aim of business to provide personal fulfillment, spiritual development, a clean environment or full employment; business enterprise is concerned with the development of its staff and the interests of its other stakeholders only to the extent that they contribute to the aim of business, which is to create sufficient profit to satisfy the needs and expectations of shareholders Viewed in this way, the social 'responsibility' of business is not the business aim but a *business strategy*; a way of determining direction and creating and maintaining relationships and structures which enhance performance" [Foley, 1999 #619 : 92; emphasis in original].*

Foley's contribution is significant in that he has demonstrated the irrelevance of the debate about whether profit as a goal is enough, even to sustain profit (Belohlav, 1993). Profit may be the goal but in order to achieve that goal consideration of broader issues is required. The experience of the tobacco companies over the last decade is ample evidence that companies which ignore/disregard these broader issues pay a very high price. Scholes and Clutterbuck (1998) provides other examples where corporations have been drastically affected by stakeholder retaliation.

However, the situation appears to be quite different with public sector organisations. Despite attempts to make some resemble private businesses, in most instances they remain quite distinct. One aspect of this difference is the fact that most have more than one purpose or *raison d'être*. This creates a complex situation where social responsibility is an aim rather than a strategy and the possibility of conflicting aims is ever present.

Donnelly (1999) has pointed out that while most public sector organisations engage in the direct delivery of services to the public, many also have additional, quite different purposes. He suggests that in the case of local government in Scotland some of these additional purposes include a builder of community pride, a community governing itself, a promoter of choice, an arena for voice and focus, a builder of diversity, an active political process and a channel for learning. These "clearly transcend direct service provision to embrace broader social aims" (Donnelly, 1999 : 2). For example, by engaging in image enhancing activities local government can act as a builder of community pride and demonstrate the power of the community to govern itself (Donnelly, 1999).

The existence of these additional broader societal purposes are also a characteristic of public sector organisations operating in other western democracies and at other levels of government. These have been referred to in the leisure literature as the 'community development' role of government which is contrasted to the 'service delivery' role.

In the case of Parks Victoria, key stakeholders such as environmental groups and recreational organisations argue that the direct delivery of services is only one part of a park management agency role. This service delivery role includes the provision of recreation and tourist opportunities, environmental educational services, the protection of environmental values and biodiversity, fire protection and weed eradication. In contrast, the community development purpose includes the identification and articulation of diversity of views regarding recreational opportunity, an advocate of choice, a promoter of the conservation ethic, a supporter of community involvement in decision-making, a builder of community pride and a facilitator of active political processes. These community development functions mainly come under the rubric of Hoyle's business quality dimension.

Some could argue that the community development purposes identified above all need to be delivered in some way and are therefore not unlike those called service delivery. However, it is suspected that this would change the very nature of those purposes as fundamental to the difference is the way the agency relates to its constituents. Instead of regarding them as recipients of a service (customers?) they become partners in the creation of a something that is of value to both. The engagement itself is an essential part of the process.

As Donnelly (1999) has pointed out, non-direct service aims can be achieved through involvement rather than the receipt of a service. He provides an example of allowing a local community to decide on community leisure projects to support the development of community pride, even though it may not necessarily end up with 'top quality leisure activities'.

Exercises such as the latter can be very expensive and time consuming and are often criticised for focussing more on process than outcome. However, in some instances the process is more important than the outcome. The author has had personal experience in one such instance. As a member of a community committee attempting to convince the former Melbourne and Metropolitan Board of Works (MMBW) to change its policy of prohibiting sailing on any of its reservoirs, we faced enormous opposition. As an

organisation the MMBW was fulfilling its primary service delivery aim by providing some of the cleanest drinking water in the world. After considerable debate and lobbying the agency agreed to allow such activity but would not provide the service itself (it did not believe that it should subsidise such an activity from fees raised for drinking water). Despite the initial disappointment of the Committee, this decision turned out to be decisive in terms of the success of the exercise. The community committee had to find ways of delivering and managing the service itself within guidelines laid down by the agency. Despite enormous difficulties, it rose to the occasion and is now a very successful community-based organisation providing sailing opportunities to a wide range of people in the northeast of Melbourne. The involvement of members in the production and delivery of the service has been instrumental in developing community pride, commitment and resolve.

If public sector organisations have this “rich mosaic of purposes” (Donnelly, 1999 : 3), how will we know when it is performing well? The quality management literature and business excellence models all include measures of business performance. However, these are not really geared to the measurement of outcomes that are not services delivered to, and paid for, by recipients (Donnelly and Dalrymple, 1996). As suggested by Donnelly (1999), there is a real challenge for the quality movement to develop appropriate metrics to measure quality in these non-direct service purposes.

Conclusions

This paper has demonstrated that at least one public sector organisation that could be described as successfully implementing many of the principles of TQM is about to suffer the fate of being dismantled. Given claims that organisations that adopt TQM will be successful, what does this situation say about TQM theory and its application to public sector organisations?

The paper suggests that while the emphasis on the customer is admirable, this should not be at the expense of a wider range of stakeholders. Indeed, for many public sector organisations it is possible that customers should be regarded as *one of a number of external stakeholders*. Managers of such organisations must learn to address the needs of all these multiple stakeholders in a manner that recognises their potential impact on on-going operations. This includes a need to ensure that reporting systems include information that is relevant to the interests of all stakeholders.

Moreover, it may be that the application of TQM principles to public sector organisations suffer from the fact they differ markedly from their private sector counterparts. This difference revolves around the existence of multiple purposes some of which do not involve the delivery of services. As many of the procedures and techniques of TQM focus on the service delivery function their application to these other purposes is problematic.

Further research is needed to explore these initial observations. Such research should, in the first instance, concentrate on those public sector agencies where the influence of stakeholders is obvious and the agency itself has multiple purposes. The aim of this research would not be to demonstrate that these organisations “got it wrong”. Rather, it should be to look for ways to improve the TQM model to ensure its relevance to both public and private organisations.

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