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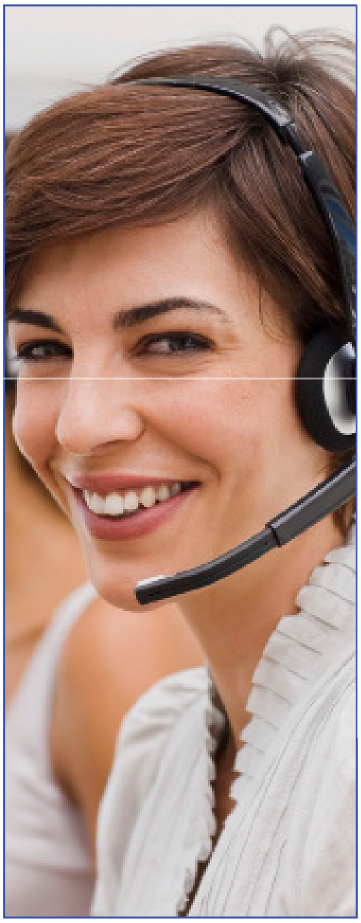
Nordic service providers' experiences and views on certification as a business tool

- Four sectors: Elderly care services, Accommodation services, E-learning services and Fund-raising for socially beneficial purposes
- How certification is regarded by the service providers
- Main factors influencing the willingness of service providers to obtain certification

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Content

1. Motivation for the report

The EU has become well aware of the need for standardisation and certification of services, and both processes have been incorporated into EU policy via documents such as the EU Services Directive. The purpose of the Services Directive is to provide fertile conditions for increased trade in services among member countries of the European Economic Area.

Article 26 states that member states, in co-operation with the European Commission, shall take adequate measures to encourage service providers to take action on a voluntary basis in order to ensure the quality of their service provision, e.g. through the use of methods such as certification or assessment of their activities by independent or accredited bodies or development of voluntary European standards.

Although certification can be useful for providing quality assurance of the services provided, certification schemes may also create trade barriers and generate extra costs for service providers. Earlier studies show that it has often become necessary to repeat certification of the same service or product in several countries – an indication that the European market is becoming fragmented. The number of nationally-determined service standards is growing much faster than for cross-border European and international service standards, and this has opened the way for an increase in services certification schemes at national level. There is a need for political awareness regarding these issues with a view to establishing European standards and certifications schemes, if the market so demands.

Fragmentation due to differing national regulations represents one of the most significant bottlenecks inhibiting cross-border trade in services. The Europe 2020 strategy put forward by the European Commission sets out a vision as to how Europe will to be turned into a smart, sustainable and inclusive economic region delivering high levels of employment, productivity and social cohesion.

The European Commission emphasizes the need for a stronger, more comprehensive and expansive single market as vital to growth and job creation. The full potential inherent in trade in services will only be exploited if Europe overcomes the fragmentation process that currently inhibits service providers from trading across borders.

Structure of the report

Grimsby and Grünfeld (2009) focused on the market for service certification, predominantly from the perspective of certifiers, standardization bodies and accreditation bodies. In other words, the units of study represented the supply side and the regulators of the market for certification, not the demand side (those who demand certification).

This study focuses on the service providers, representing the demand side of the certification market. To understand their role, we have to conduct a more thorough analysis of several factors and mechanisms which have importance for service companies' view on trade and certification.

Although the previous study points out that certification of services are on the rise, indicating that service providers view certification as valuable, the picture may hide a wide variety of experiences. It is only through understanding these mechanisms that we can identify the factors that affect the willingness to certify and the experiences thereof.

The most central mechanisms that we focus on can be summed up in the following research questions:

1. To what extent do service companies use certification today?
Including how the companies learn about the certificates, how the certification scheme is organized, the existence of multiple certification schemes and types of certification schemes?

2. Why do service companies (not) certify, and what are the effects from certification?
Including what the companies consider being the value added of certification, what was decisive for their choice of certificate and the importance of costs, brands and regulation in relation to certification?

3. What is the potential for international trade, and which role does or may certification play?
Including whether the companies export services today or if they plan to do so in the future, whether the certification schemes are international or national, and what the companies' attitude are towards more international standardization?

4. How are certification bodies perceived by the companies, and which role do they play for certification?
Including the type of certification body and whether it is accredited.

5. Future prospects for certification
Including the most interesting results from the sector, and discussion on future prospects regarding certification of companies in the specific sector. The report is organized by taking one sector at the time according to the abovementioned parameters. Whenever there are specific issues which are relevant for the study but which do not fit into the structure above we have made use of a box-structure of the particular text

Selected findings emerging from the study

The need for certification increases with the presence of asymmetric information. Elderly care service providers have professional customers (municipalities) that can deal with asymmetric information, hence reducing the need for certification. The customers of accommodation services or the donors of the organizations raising funds for socially beneficial purposes often have a less professional relation to these types of services. As expected, certification is more important within these sectors.

It seems that certification often plays the role as substitute for regulation, and vice versa. Whether it is the one or the other that dominates in the sector seems to depend on historical factors. In the web survey, the majority of companies prefer voluntary certification to governmental regulation.

Although accommodation services and nursing homes for elderly have many similar characteristics, it is interesting to notice that the sectors apply different types of certification. While the most frequent certification among providers of elderly care services is the quality management system certification ISO 9001, this type of certification is rarely used among hotels. Furthermore, environmental certification is popular among providers of accommodation services, while environmental certification is rarely used among elderly care service providers.

Companies report that the most important reason for being certified is that certification signals the quality of their services towards customers, and that their customers prefer services from certified providers. Certification may also have an indirect quality enhancing effect on the services as the companies must improve their services to comply with the certification criteria. Few service providers consider international certification as an important tool for international expansion, it appears however that national schemes are regarded as an impediment to trade.

We find that service providers which are not certified, and do not find the issue on international standards relevant, are skeptical towards international standards. While service providers which are internationally orientated and used to dealing with certification welcome internationally harmonized and coordinated certification schemes.

ISO 9001 is a certification of management systems and is applicable for service providers within all sectors. The ISO 9001 has a unique position in the market without any real competing certification schemes. The service providers which have ISO 9001 certification are satisfied as the certification gives both a marketing effect and a service quality enhancing effect.

Environmental certification is perceived as an efficient way of signaling the values of the hotel to their customers. There is also an economic side, saving hotel costs on energy and creating less waste. There are indications that customers are less concerned about which specific environmental certification scheme the company use, as it is argued that all environmental certification schemes give the generic signal to the customer that the service provider is concerned about the environment. Many of the competing environmental certification schemes such as the Flower, EMAS, the Swan and Eco-Lighthouse are related to public authorities. This should indicate that there is a scope for international coordination.

Having a third party to conduct a conformity assessment on whether a service provider is in compliance with a set of specifications gives increased transaction costs of service provision. Normally, there are also costs for the service provider to adjust their services, processes, routines or personnel to be in compliance with the certification criteria. Still, few service providers emphasize costs as an important factor for which certification to apply, and some even consider certification as an investment. Certification costs are however disproportionally larger for smaller companies, and there are examples of widely differing prices between competing certification schemes.

For a certification to build confidence in the market, it is important that the conformity assessment by the third party– the certification body – is trustworthy. The study shows that service providers generally perceive the quality of the certification body as good, and that industry associations are the most frequent channel for which the service providers learn about certification.

There seems to be an overall high degree of satisfaction with the certification body among service providers, independent of whether the body is an independent foundation (fundraising), industry association (accommodation services / fundraising), or commercial (elderly care).

2. Methodology of the study

Choosing focus sectors

As pointed out in the introduction services account for approximately 70 percent of all economic activity in most industrialized countries, containing a wide variety of activities. To operationalise the study, the focus is narrowed down to service companies operating within four different service sectors. The “case” sectors are chosen based on an overall assessment of the sectors’ experiences with certification, actual or perceived potential for international trade, and actual or potential importance in Nordic service economy. Comparing relevant characteristics we rated a sample of 11 different service sectors of which we ended up with the following four sectors

- **E-learning,**
- **Fundraising for socially beneficial purposes,**
- **Elderly care services, and**
- **Accommodation services**

The rationale for choosing each of these services is described at the beginning of each chapter devoted to the specific sector.

Web survey on certification

A survey was sent to 891 companies, of which 101 companies responded on a sufficient amount of questions to be counted as a full answer[1]. This gives an average response rate of 11 percent. This is a low response rate. However, most topical similar studies report even lower response rates (Blind, 2003)[2].

The highest response rate in the study is within e-learning services (27 percent), while the lowest is within elderly care services (6 percent), while accommodation services and fundraising for socially beneficial purposes have response rates of about 10 and 14 percent, respectively.

The table below shows the number of responding companies according to service sector and nationality. We see that accommodation services have the highest number of respondents, while elderly care services has the lowest. Denmark and Norway have the highest number of respondents. In terms of response rates, the Scandinavian countries are about equal (12-14 percent), while Finnish companies has the lowest (6 percent) and Icelandic companies has the absolute highest with 41 percent.

Table 1: Respondents from web-survey categorized by country and service type

Contry/ Service	Accomodation	fundraising for socially benefical purposes	E-learning	elderly care services	Total
Denmark	5	14	10	4	33
Sweden	6	5	1	3	15
Finland	8	2	1	3	14
Norway	16	6	8	2	32
Iceland	2	1	4	0	7
Sum	37	28	24	12	101

Interviews

To supplement the web-survey we have made follow-up interviews with a selection of the respondents. These respondents were selected because that they had specific experiences or views on certification. In addition we supplemented the web-survey by interviewing national industry associations in order to gain a better overview of the sector. In the case of elderly care services which

[1] The respondents were selected based on a broad approach combining companies within specific NACE-codes from accounting data and list of members of relevant industry associations. The contact person, most relevant person within management, was identified by visiting the service providers' homepages.
[2] Blind (2003), Standardisation and the Service Sectors – An explorative study

had relatively few respondents, we also interviewed some additional companies which had not participated in the web-survey (you find complete list of interviewees in the appendix).

Workshop

As a substitute for interviews we arranged a workshop for organizations and companies dealing with fundraising for socially beneficial purposes. At the workshop which was held in Copenhagen both charity organizations, telemarketing companies, industry associations as well as certification bodies were represented from all Nordic countries. The purpose of the workshop was to create an open forum for fruitful discussions in order to share experiences and potentially shed light on conflicting views on certification. The list of workshop participants is attached in the appendix.

Other sources of information

In addition to direct contact with companies through websurveys, interviews and workshop we have made use of information from homepages as well as information and experiences from the forerunner study "Too Certify your Services" (2008) which focused on the supply of certification schemes relevant for the service sectors in Northern Europe.

The comprehensive scope of this study, surveying service providers within four different service sectors from all five Nordic countries, creates obvious challenges with respect to assuring representativeness for all the results reported from this study. The findings of this study are based on qualitative responses from selected service providers, and are not necessarily representative for the whole service sector.

In qualitative studies like this one, combining questionnaires, interviews and discussions from workshops, it is challenging to systematically structure the results down to a format presentable in a rapport. Companies which have stronger views and more experience with certification are typically assigned a larger weight. This is consistent with emphasizing the views of companies for which the subject is relevant.

Asymmetric information and structural framework for categorizing service sector

The theoretical rational for pointing to certification as a means for increasing international trade is based on the belief that certification is a tool which may be used to improve and signal service quality, which in turn may be used to solve market inefficiencies related to lack of consumer information about the service.

As execution and consumption of services normally happens simultaneously the presence of market inefficiency related to asymmetric information is even larger within the service sector than the goods sector because the customer cannot verify the quality of the service in forehand. As the asymmetric information between the consumer and the service provider is an increasing function of the cultural and geographical distance between them, certification is thought to be an important means for international trade in services.

The presence of information asymmetries between customers and service provider depends on factor such as

1) how the service is delivered,
2) resources available for the customer to make informed choices,
3) the complexity of the service, and
4) the repetition and duration of the customer-supplier relationship.

To what extent a certification scheme is the adequate means to solve such asymmetric information depends on whether it is possible to make assessable criteria related to the service itself, the process, the system and/or the people performing the service .
The degree of information problems between the service provider and the service consumer also depends on how the service is traded. For instance, a service traded trough a local subsidiary of the service company is in principle not much different from any other local service provider.

The presence of asymmetric information between customers and providers depends also on the type of customer, that is whether the customer is a consumer (B2C), business (B2B) or government (B2G). In the case where the customer is an enterprise or government, the customer can be regarded as professional. In general, professional customers have more resources available for screening the quality of their service providers. They are also more likely to repeat the transaction and establish a longer relationship. Both these factors reduce the asymmetric information problem.

Modes of service trade

The WTO's General Agreement on Trade in Service (GATS) system applies a typology which categorizes service trade into four different modalities or modes. The modes are dependent on the characteristic of the service and/or the strategy of the company.

Mode 1 trade contains all services that are transported physically across borders (e.g. software, electronic services and transport).Mode 2 services are supplied to customers that travel across borders to consume abroad (e.g tourism). Mode 3 trade is supplied by firms traveling abroad to supply local demand, or potentially by local subsidiaries. Mode 4 trade relates to workers that migrate across borders to work on a temporary basis.

Table 2: Four modes of supply for the delivery of services across boarders

	Criteria	Supplier Presence
Mode 1: Cross-border supply	Service delivered within the territory of the Member, from the territory of another Member	Service provider not present within the territory of the member
Mode 2: Consumption abroad	Service delivered outside the territory of the Member, in the territory of another Member, to a service consumer of the Member	
Mode 3: Commercial présence	Service delivered within the territory ofthe Member, through the commercial présence of the supplier	Service supplier present within the territory ofthe Member
Mode 4: Présence of a natural person	Service delivered within the territory ofthe Member, with supplier présent as a natural person	

The degree of information problems between the service provider and the service consumer also depends on how the service is traded. For instance, a service traded trough a local subsidiary of the service company (Mode 3) is in principle not much different from any other local service provider.

3. Case 1: Elderly care services

Why study this sector?

Demographic changes in the Nordic and European countries make health services, and particularly care of the elderly, a relevant service sector for the future. The ageing of the population will create increasing demand for such services. With increasing demand follows potential for international trade. This can happen either through elderly people going to other countries to buy services (mode 2 in service trade), similar to tourism, or foreign companies competing with domestic companies to win public procurement (mode 3 in service trade).

In the Nordic countries the municipalities are responsible for providing elderly care services to their inhabitants. The bulk of elderly care services is hence bought trough municipalities' public procurement processes. This is what we call a business-to-government (B2G) customer provider relationship.

Traditionally, elderly care services have been provided by the municipalities themselves. Over the recent years it has however been opened up for municipalities outsourcing the operation of nursing homes and home care services to private companies.

In Sweden, currently about 15 percent of the elderly care services are provided by private companies, while in Norway about 1 percent is delivered by private companies. In Norway only five municipalities use private companies, covering altogether 19 out of 1050 nursing homes. In Finland a significant part of the elderly care services are provided by private foundations. Denmark is the country with fewes private companies operating within the elderly care sector. There are currently only six nursing homes driven by for-profit private companies in Denmark.

"Granny on public tender"

Whether, and to what extent elderly care services, and health services in general, should be exposed to competitive tendering by allowing private companies to offer such services on contract with the municiaptliy is a hot topic for political debate in the Nordic countries.

With the demand for elderly care services expected to grow significantly in the coming years, there is reason to believe that private companies will be playing a larger role in the market for elderly care service. The fact that professional investors have chosen to invest in private elderly care companies, such as Carema, Aleris and Norlandia support this belief. In Sweden there has just recently been implemented a law which give the municipalities' inhabitants the freedom to choose who they want their services provided from. Although Danish municipalities have been the most reluctant to outsource their elderly care services to private enterprises, this also seem to change as the municipalities' are facing economic difficulties and need to cut costs. In one of the interviews it was referred to that a recent report by Rambøll management (2009) indicates that Danish municipalities may save as much as 15 percent of their expenses on elderly care services if they chose to outsource the elderly care services to private enterprises.

Among the private providers of elderly care services in Sweden there are high expectations regarding what they hope to be a paradigm shift towards more private service providers within the elderly care sector. While today the private elderly care enterprises operate mostly in the larger city areas, the new law is likely to open up for private enterprises all over Sweden. The law of freedom to choose says that municipalities can open up for private companies to prequalify for a list which the municipality's inhabitants in turn can choose from. To qualify for the list the company must comply with a set of criteria decided by the municipality. It is still up to each municipality whether they want to open up for private companies, today 82 out of 290 municipalities use this arrangement. There is granted resources to more municipalities to investigate the opportunity of creating such a list.

Forenede is one of the bigger privately owned service corporation in the Nordic countries with 8000 employees and a turnover of about 2 billion Danish kroner. In the late 1990s they wanted to expand their portfolio of activities and establish institutional elderly care services they had to establish themselves in Sweden because they could not access the Danish market. Today Förenede Care AB is one of the largest private providers of elderly care services in Sweden operating with one or more elderly care centers in 11 different Swedish municipalities.

Denmark was the first of the Scandinavian countries to state by law that home care services for elderly should be eligible for freedom of choice in 2003. The law states that also other than the municipality itself may deliver home care services as long as the private supplier is approved and is in compliance with the municipality's quality criteria. As aforementioned a similar law was introduced in Sweden in 2009, while Norway does not have this law.

The survey on elderly care service providers

Within the elderly care services sector there were 12 respondents to the web survey. Four of them coming from Denmark, three each from Sweden and Finland, two from Norway, while no representatives from Iceland. Basically there are three types of elderly care services provided by these companies 1) nursing homes, 2) day care centres and 3) home nursing. Many companies provide all of these services. Of the respondents in the web-survey two reported that they have international activity today, while another two reported that they plan to expand their operations internationally in the future.

Although the elderly care sector in the Nordic countries are dominated by public service providers, the respondents in the survey and the interviewees are only private companies. International expansion is generally less relevant for public service providers, therefore we have chosen to focus on the private part of the industry.

In addition to the web survey we have made interviews with five elderly care enterprises, of which four of them are established in two or more Nordic markets. Since only two out of the 12 respondents from the web survey reported any international activity, it was important to supplement this dimension by focusing on international companies in the interviews. We also interviewed the Swedish and the Norwegian industry associations representing the private elderly care companies in their respective country.

To what extent do the elderly care companies use certification today?

Nearly all of the respondents in the web survey are familiar with certification relevant for elderly care services, while half of the respondents use certification themselves. The larger companies which we interviewed are either considering certification or already have one or more types of certification in place.

According to the Swedish and the Norwegian industry associations the use of certification within elderly care services is still limited to a few of the larger companies. However as the market for private service providers in the Nordic countries becomes more mature, they expect the use of certification to become more common. In Denmark there are still not any of the private companies within elderly care which are certified. Aleris Omsorg A/S, which is operating four out of six private nursing homes in Denmark, is however currently preparing their system for certification according to the ISO 9001. They expect to gain the certification in the first quarter of 2011x.

ISO 9001 is the most frequent certification among Nordic elderly care enterprises. Companies providing elderly care service are dependent on having a good system for quality management, and an ISO 9001 certification is perceived as being an efficient way to document that. According to our categorization ISO 9001 is an organizational cross sector certification. With some of the municipalities you get additional points if you are certified.
Two of the respondents report that they use environmental certification, while one of them also just recently implemented the OHSAS 18001 certification for occupational health and safety. Companies who have already implemented the ISO 9001 certification argue that certification such as the ISO 14001 for environmental management, and OHSAS 18001 are easy to implement since they build on the same logic, and all you have to do is to extend your quality management system with some additional parameters.

In addition to these abovementioned international certification schemes, the Swedish company Caräma Äldreomsorg is in a process where they implement the certification "Möntsterarbeidsplass" (Model workplace) on all of their local nursing homes. Möntsterarbeidsplass is a certification which proves that you are an organization with good routines for involving both employees and customers in the company's management processes. The purpose is to create awareness among all stakeholders, including employees, of their importance in the organization, and hence be an attractive employer and service provider. Certification body for this scheme is the Swedish association for municipal workers (Kommunalarbeiderforbundet).

The Swedish industry associations for private care providers informed that they have just started the process of making a quality label for their members. The scheme is intended to be similar to the existing scheme managed by their sister organization Almega Service, which is a scheme that controls the companies' seriousity regarding issues such as taxes paid, working conditions for the employees and control over sub contractors.

One of the elderly care companies in Sweden could inform that they are currently participating in committee work for Swedish Standard to implement the European standard (origin from Germany/Austria) for sheltered housing services in Sweden. Similar work is being done all over Europe. According to CEN, the European organization for standardization, the completion of the standard for sheltered housing, which will also be the basis for voluntary certification, is expected in 2011.

There seems to be no real competing certification scheme for ISO 9001 today. Apart from control by public supervision authorities within health and food, and the municipality's control with their contractors, the only competing certification scheme brought up was the Kings Fund. Kings Fund is a British quality management certification which applies to the health sector. The Finnish respondent pointed out that they have heard about some other elderly care companies using the Kings Fund label, but that they themselves preferred ISO 9001 because of its wide acceptance in the market.

Environmental certification within elderly care
Very few within elderly care have chosen to certify their activity according to environmental standards. This is however assumed to be a coming trend, and one out of three responded that they are currently considering environmental certification. Environmental certification is perceived as a good way to show corporate social responsibility. At the same time several report that the criteria are rather easy to fulfill.
One of the interviewees said that the increasing number of environmental criteria to be fulfilled in public tenders made them think that they just as well could certify according to them. Since they

were already run their quality management system according to the ISO 9001, adapting the ISO 14001 was not that challenging. The reporting and control routines were already in place, so all they had to do was to add environmental parameters related to which chemicals they use, recycling routines, managing food waste, and use of transportation.

Compared to the wide use of environmental certification among hotels there are very few of the nursing homes using environmental certification. The operations within elderly care services and accommodation services have many similarities, and one would expect there to be just as much to save on resources within elderly care as for hotels. This implies that there is a potential for public purchasers to raise their focus on environmental aspects of elderly care.

Why do elderly care companies (not) certify, and what are the effects of certification?

How do elderly care companies learn about the certification?
There seem to be no specific channel for which the elderly care companies are introduced to certification. While Förenede Care AB and Aleris Omsorg A/S learned about their certification scheme from their associated company in respectively Denmark and Norway, customers, competitors, media and industry organizations are other introductory channels for certification. The most interesting about this is that none of the elderly care providers report that they learned about the certification schemes through advertisements from the certification body.

Learning about certification through foreign associated companies
Förenede Care AB was one of the first elderly care providers to use certification as a tool for quality management. They were introduced to the certification scheme by their Danish sister organization which had applied certification within the cleaning industry. This was back in 1998 and the ISO 9001 standard was still focused on an industrial production line way of organizing management processes. Since then the ISO 9001 has gone through revisions which have made it more adjusted to service companies. The Danish subsidiary of Aleris Omsorg, which is currently working on implementing the ISO 9001 standard, also got the inspiration to apply the ISO 9001 certification from their associated companies in Sweden and Norway.

Customer demand is the core driver for certification of elderly care service providers
There are basically two reasons for companies to use certification; either it can be for marketing purposes, and/or it can be a way to improve and assure service quality. In the web survey all respondents answered that demand from customers and proof of service quality were important reasons for their company to certify, while the importance of certification as a means to improve internal management was more mixed.
The arguments for using certification seem to vary somewhat between countries depending on the specifications in the public tender from the municipalities. The fact that some municipalities in Sweden and Finland give additional points for certification is an important reason for companies in these countries to certify. One company reports that about 2-3 years ago they experienced what they perceived as a shift in the procurement process of Swedish municipalities towards more focus on certification, consequently giving certified companies a competitive advantage. Due to the increased focus they choose to become certified themselves.

In Norway the marketing effect of quality management certification seems less pronounced. The industry association in Norway (NHO Service) finds that Norwegian municipalities are less aware of certification, and hence that marketing is a less important reason for elderly care service companies operating in Norway. This impression is supported by Norlandia, a company with several operations in both Norway and Sweden, which so far has chosen not to certify their activities. Norlandia has an internally developed system for quality management, and has come to the conclusion that the costs related to certification of quality management are larger than the current benefits. Norlandia emphasized however that their mind is set on being competitive, and the moment there is a demand in the market for certification they will get certification. This example also underlines the importance of customer demand as the core driver for certification.

As pointed out earlier, in the case of elderly care services it is the municipalities which constitute the market, and it is hence the criteria and the weight of certification in the public procurement policy which ultimately seem to determines the extent of certification among the providers of elderly care services.

The Finnish service provider, Hoitokoti Matinkartano, argues that certification is mainly acquired in order to gain competitive benefits, giving an overall image towards the municipality of reliability as a service provider. Hoitokoti Matinkartano argues that reliability gives benefits in other contexts as well. e.g in competition for ready built care home buildings.

Certification as a means for improving quality of services

Although customer demand was the triggering factor for getting certification, one of the companies experienced that once certified, the ISO 9001 also had a clear value added to the company's existing quality management system. The regular audits of independent thirds parties continually put additional focus on the quality management work done in the organization, and help to identify sub optimal routines which are hard for insiders to identify.

In general all the companies certified according to the ISO 9001 standard consider the scheme as a good system for quality management within elderly care services. As most public tenders put out by the municipalities contain requirements that the company must provide documentation of a system for quality control, ISO 9001 is a practical way of building and documenting this. One of the interviewees believed however that the benefits of implementing a vigorous system for quality management are less pronounced for smaller companies since their operations are smaller, and hence easier to manage without such a system.

Attracting and maintaining employees

In the interviews, two of the companies emphasize that they experience that management certification has a positive effect on attracting and holding on to employees. Attracting skilled personnel, having satisfied employees and increasing the duration of tenure saves the company significant costs related to recruitment and training of new people. Some of the factors argued to explain this are that following quality management standards involve having clear distribution of responsibilities, systems of measuring and reacting on employee satisfaction, and that it raises the self esteem of the companies.

Environmental certification is less common among the Nordic elderly care service providers. Förenade Care however got their ISO 14001 certification back in 2006 and experience that that many find their environmental profile attractive, and that environmental certification is a good marketing tool for new employees. Especially young people are focused on environmental issues, and as people tend to stay 8-10 hours at work every day it is important that employees feel that the focus on environment is also maintained at the working place. For instance, many people, both employees and customers, find it impressive that Förenade Care has changed their care fleet into environmental friendly cars.

Costs of certification

Certification according to ISO 9001 requires dedication of a considerable amount of resources in the implementation phase before the actual certification is granted. In addition to the internal resources spend on educating internal personnel, many companies use external consultants who help them implement the routines according to the standard. One of the larger corporations tells that when they take over a new operation the largest costs related to implementing the certification is related to education personnel.

Once implemented, the costs are related to having internal people responsible for maintaining and following up on the system in addition to regular external audits. If you are true to the system, the management of the company must be involved which also requires resources. Several of the interviewees argue that the costs are easily paid off because it has a positive impact on how long the employees tend to stay with the company.

However, several point however out that for smaller companies the costs of implementing a vigorous system such as the ISO 9001 may be too large to outweigh the benefits. As indicated in Menon's previous study "To Certify your Services" (2009) the costs of certification are disproportionately larger for smaller companies. Due to the learning effect from implementing the ISO 9001 on several operations, larger elderly care companies become gradually less dependent on for external consultants.

The costs for getting certification on an additional unit for larger elderly care companies with many operations are hence considerably smaller than for a single unit company to certify for the first time. Larger units are in general also relatively less expensive to certify than smaller units. Aleris Omsorg A/S confirms this. The fact that they are part of a larger corporation with already extensive experience in implementing the ISO 9001 standard makes the costs considerably smaller. They argue that if they were an independent company with only one operation the costs would probably be too large.

Apart from direct costs measured in monetary terms, one of the companies which is not certified argue that although they are very concerned about running a good system for managing quality, they have been skeptical towards being certified as they are afraid it may have a conservative effect on the company's creativity and internal innovational processes. The view on certification and standards as an impediment to innovation does however not find support in the web survey. On the contrary, all but one respondent among the elderly care companies agree to the statement that standard helps innovation.

Importance of company brand within elderly care services

While one of the interviewees argued that the need for structure is less among smaller companies, the marketing effect from certification is often perceived to be larger for smaller companies due to a less known brand than their larger competitors. Norlandia, which operate nursing homes in both Sweden and Norway, argue that their need for certification is larger in Sweden since they are less known there, and because they compete with larger international corporations than in their domestic market.

It was emphasized by one of the larger concerns that although many of the larger private companies are well known in the market, it does not mean that they reap benefits from this brand. On the contrary, within elderly care services profit driven private companies are in general looked upon with skepticism as this types of services traditionally has been provided by the municipalities themselves or non-profit private foundations.

This is particularly the case for corporations owned by professional investors, while family owned enterprises in general are more accepted. Hence, they argue that the larger and better known the company is, the more negative attention it attracts and the larger is the need for quality signaling. In fact, the private companies feel that they unjustly receive much negative attention, and that they must deliver higher quality of services than their public competitors in order to win public tenders.

Due to this effect you get the adverse effect that the need for certification for quality signaling seems more important for larger companies with a better known brand.

One of the interviewees representing a larger Swedish corporation also argues that the brand is less important since the municipalities tend to be more concerned about spreading the operations among several service providers, rather than awarding the contract to the objectively best offer. Hence operation of the big nursing homes is usually assigned to the larger concerns, while the smaller operations are allocated to the smaller private companies.

Certification and regulation - complements within elderly care services
Elderly care services are regulated by law in all the Nordic countries, and public supervision authorities perform regular inspections to monitor whether the elderly care services providers are in compliance with the respective national regulations. In the web survey most of the companies, seven out of nine, report that they would prefer voluntary certification to regulations. You may well argue that companies will always prefer voluntary to compulsory arrangements, but it may also be interpreted that the companies believe that certification is a preferable way to go in the future.

The Norwegian industry association – NHO Service - pointed out that regulation mostly covers parameters which are easier to measure (and regulate) such as room size, accessibility, medicating and number of nurses per resident. Regulation does however not cover more complex soft parameters such as how the business is organized with regards to routines or resident and employee satisfaction which are covered by quality management certification. Certification is hence a complement rather than an overlap or substitute for regulation. The Norwegian industry association argues that the soft parameters tend to be less emphasized in the procurement process of Norwegian municipalities.

The importance of public procurement policy within elderly care services
As emphasized in the beginning of the chapter elderly care is a public responsibility in the Nordic countries which has been allocated to the municipalities. Traditionally, elderly care services has been provided by the municipalities themselves. Over the recent years it has however been opened up for municipalities outsourcing the operation of nursing homes and home care services to private companies. In the case that you private companies providing the service, this is what we call a business-to-government (B2G) customer provider relationship.
In order for the municipalities to create a healthy and fair competition it requires that they arrange a transparent and professional procurement process.

Sweden has the most professional customers
From the interviews it seems clear that the Swedish municipalities are the most professional among the Nordic regarding public procurement processes related to elderly care services. With private companies performing 14 percent of the elderly care services in Sweden, many of the municipalities have developed good routines for making detailed and good public tenders.

Norlandia, which operate in both Norway and Sweden, report that they experience large differences between the countries with regards to public procurement routines. Their experience is that public procurement processes arranged by Swedish municipalities in general are more transparent and put into system than in Norway. For example is it more common in public tenders put out by Swedish municipalities that it is stated how much each of the different components such as price, food, personnel competence and quality management system count for the overall score.

After the competition the companies get feedback on how they scored on the different parameters. This is perceived as positive since it makes the process more transparent, as well as making it easier for the companies to improve on the parameters where they score poorly. Norlandia reports however that there is also improvement in Norway, and that especially the municipality of Oslo has improved their procurement processes related to elderly care services.

The procurement process is decided by the municipalities themselves
Each municipality decides for itself whether and how they want to arrange their procurement process. All providers must be in compliance with laws and regulations, but apart from that it is up to each municipality to decide what the requirements are. This gives the municipality the flexibility to focus on the issues which they find important for their inhabitants, it does however also mean that the quality of the procurement process varies between municipalities. The larger city municipalities tend to deal with the procurement processes related to elderly care on a more frequent basis and are hence in general more experienced and professional.

The role of certification in procurement
Some municipalities in Sweden and Finland give additional points in the procurement process to companies which are certified. We have however only heard about one incident where certification was a requirement to win the public tender.

The Norwegian industry association - NHO Service - reports that the private companies often feel unfairly treated in competition with the municipality's own service provider. NHO Service argues that without any common criteria to relate to it is difficult to get competition on equal terms among private and public service providers. NHO Service suggests that it could be a requirement in public tenders that both private and public service providers should be certified according to a specific quality management system standard in order to prequalify for the competition could be a way of assuring competition on equal terms.

NHO Service emphasize that it is crucial for transparent market competition that also public service providers must fulfill such criteria, independent on whether the municipality chose put its elderly care services out on a public tender.

Although there exists regulation by law on factors such as room size, how many can share a bathroom, accessibility, medical treatment and personnel qualifications, other factors such as how the activity is structured, and whether there are systems in place to measure customer and personnel satisfaction are not regulated. NHO Service argues that a requirement regarding certification of quality management systems would make it easier for all municipalities to compare.

In fact, one of the interviewees believe that the main reasons why elderly care services to such a limited extent is outsourced to private companies is because the municipalities find the procurement process complicated. They believe that a criterion of certification could be part of a potential solution to this as the municipality to a larger extent could trust the quality of the certification, rather than doing all the quality control themselves. It was also pointed to that certification would be a way of easing the documentation burden on the service providers related to the procurement process. All this however requires that the municipality is familiar with the ISO 9001 standard, and that the certification bodies can be trusted.

The Swedish Association of Private Care Providers point to that there should be criteria which apply for both private and public care providers. Related to this the Swedish government has recently come with a draft on some regulations for elderly care services, and a plan how these regulations shall be controlled by an independent third party.

Although ISO 9001 certified themselves, Aleris Omsorg AB is skeptical towards certification being a requirement in public tenders. First of all they argue that such a requirement is probably against

Swedish laws on public procurement, secondly such a requirement may have negative impact on the branch as a whole since the entry barriers may increase. Thirdly it may also lead to a dangerous situation if municipalities base their decisions on certification granted by a certification body, as a substitute for doing the quality control related to the procurement processes themselves.

One of the Finnish companies explain the municipalities in Finland only chose to outsource the provision elderly care services to private companies in the case that public cannot satisfy the demand by their own. The only competition in Finland is consequently between private companies. It is hence argued that any requirement of certification would not help to standardize the requirements in competition between private and public providers as long as the municipality is not required to expose the service to competition.

There are also good reasons why companies which are already certified do not want certification to become a de facto requirement in the public tenders put out by the municipalities. The competition in public tenders is just as much competition between private companies as it is between private and public. One of the companies point to that requirement of certification may be helpful in order to filter out competitors with the lowest quality. On the other hand is certification a part of their competitive advantage, and the uniqueness of being certified would be lost if everyone would do it.

What is the potential for service trade?

There already exists several examples of elderly care companies with operations in other Nordic countries. As the elderly care services are always provided locally, it is not the resources that are exported but rather the system and the process of providing elderly care services which is exported, not much different from a franchise. Carema, Forenede, Aleris and Norlandia are all examples of companies with cross Nordic operations within elderly care.

As Sweden is the biggest market, this is also where you have the biggest companies. The Swedish industry organization argues that the Swedish market for private elderly care services have been developing so fast that they have not had any need to focus abroad. This is however likely to become more relevant in the future as people are moving to other countries to spend their old age expecting the same line of service as they are used to back home. One potential large customer group is Swedish immigrants who want to move back to their country of origin as they retire from their professional work.

Elderly care services in the Nordic countries are perceived to hold a high international level. Aleris Omsorg AB reported that they have had international visitors from Japan,Germany, Spain and more which have come to study the "Nordic model" for elderly care services. With time, the potential for international expansion is significant. Private provision of elderly services is however a rather young industry in the Nordics, and there is still potential for further expansion in the home market. One of the challenges for expanding outside the Nordic countries relates to elderly care requiring experience and knowledge of local culture. It is hence hard to establish operations in non-Nordic countries because you don't have any existing operations in the local market to use as a reference.

Companies operating in several countries find it very convenient that the same certification scheme is recognized by their customers in different countries. This means that they can apply the same system when or if they establish activity in a new country, which in turn reduce costs and makes foreign entry easier.

A potential effect of certification is that it may create easier access to foreign markets. From the web-survey the perceptions and experiences are mixed on this matter. While two of the certified companies argue that certification is very important for entry to foreign markets, the remaining two companies argue that it is less important. Still, from the interviews the companies with operations across the Nordic countries emphasize that it is a fortunate situation that there is only one single certification scheme which seems to be recognized in all the countries.

Companies providing elderly care services do not export personnel or other resources. The export is the business model itself, that is; how the company is organized and which values are emphasized. Since the quality management system is part of the company's business model, it is important in order to make entry barriers as small as possible that if the company wants to establish an operation in another country it can apply the same quality management system as it does in its domestic market. This is however a truth with modifications. The fact that the regulations are different in countries means that the implementation of the ISO 9001 standard needs some adjustment to be in compliance with national regulations.

How important is the certification body?

Of the companies certified all respond that they find the quality of their certification body satisfactory (on a scale from very good, satisfactory, poor, no opinion). One of the interviewees from Sweden claimed however that there are large differences in the quality of the different certification bodies, regardless of whether the certification body is accredited or not. It is argued that a requirement of certification from the municipalities would hence lead to potential problems since ISO 9001 certification would have varying quality depending on which certification body had audited the company. If one should have a requirement on certification it would consequently require the municipalities' to increase their competency on auditing routines of different certification bodies. One respondent stated that price is the most important factor for the choice of certification body indicating that the quality of the auditing of the certification body is less important.

Future prospects for certification within elderly care?

IS0 9001 has a monopoly position within quality management standards for elderly care services. Currently there are to our knowledge no national certification schemes in place which make a barrier to trade. The fact that many companies have operations in several Nordic countries already confirms this.

Although there are many types of environmental certification schemes, including national ones, these schemes are not yet widespread, and if they will become de facto compulsory, the requirements are regarded as rather easy to comply with, limiting the barrier towards foreign establishment.

The fact that this is a market with a professional public customer creates a potential for coordinating the procurement process with regards to which certification schemes are requested. Still, there is an open question whether the municipalities would want to coordinate on a requirement regarding a specific certification scheme? Potentially there could be a requirement among all Nordic or European municipalities regarding the same certification scheme.

The opinions on whether municipalities should have more explicit requirements regarding certifications are split among the companies and industry organizations. Most companies with whom we have been in contact think that an explicit requirement regarding certification would not be practical. Some argue that one should be cautious towards having requirements in public tenders regarding certification since it may be protectionist towards those companies which are not familiar with the certification scheme or whom find it too expensive. Still, there seems to be a need for some sort of common standards beyond current regulations to ensure competition on equal terms.

4. Case 2: Accommodation services

Why study this sector?

Tourism is one of the biggest and fastest growing service sectors, and is one of the services which are most traded across borders. The Nordic countries are also perceived to have a large potential within this sector. Accommodation services is an interesting part of tourism services since there already exists a certification system – the well known star classification system. The star classification system plays however a different role in the national Nordic markets and the attitudes towards it varies accordingly.

In addition many companies providing accommodation services have certified their company according to environmental standards. An interesting aspect here is to what extent the service providers' experiences with environmental certification depends on which certification scheme they are certified according to.

Accommodation services are not just about offering a place to sleep, but should give the customer a total experience, including an element of surprise. In the traditional way of viewing standards and certification, international certification schemes are in conflict with the country's unique and traditional way of offering accommodation. This seems also to be the view of some of the national hotel associations. It has consequently been difficult to get the European national hotel associations to agree on the same specifications within the star classification industry.

There are many strong company brands in the hotel industry which play the same role as the classification schemes. Is it so that companies with a strong brand do not need any further "classification"? Or is it so that the importance of brands is limited to specific sub-markets which in turn creates a demand for classification in order to signal quality and attract customers from other countries.

Survey on providers of accommodation services

Accommodation services is the service group with the largest number of respondents in the web-survey, with altogether 37 respondents. 16 of the respondents are from Norway, while eight are Finnish, six from Sweden, five from Denmark and two from Iceland. Accommodation services is also the sector with the largest share of companies using some kind of certification.

As much as 70 percent of the hotels report that they have some type of certification or classification. While all of the Swedish and Danish respondents report that they are certified, seven out of ten Norwegian companies and every second Finnish company report that they have some kind of certification. The only Icelandic company which answered the question did not have any certification.

There has also been carried out interviews with one Danish and one Norwegian hotel in addition to the Norwegian, Finnish and Danish industry associations[3]. We also made conversation with the Norwegian Ministry of Trade and Commerce regarding the upcoming Norwegian version of the star classification scheme.

To what extent do the providers of accommodation services use certification today?

Star classification

Denmark and Sweden are the only countries with a well functioning star classification scheme. While the star classification system is de facto compulsory for Danish hotels, classification being a

[3] The interview with the Danish Industry association HORESTA was made the autumn 2008 in relation with Menon Business Economcis' previous study "Too Certify your Services".

prerequisite for membership of the Danish industry association, the scheme is also broadly applied among Swedish hotels. In the web survey four out of five Danish providers of accommodation services reported that they use the classification system, while all of the Swedish who responded also use the classification scheme. The Danish and Swedish schemes are quite similar, and both of them are organized by the respective national industry organizations, which also cooperate in the auditing process of the hotels.

Currently there exists a Norwegian star classification system which is a light-version of the Danish scheme. This scheme however lacks the broad acceptance in the market found in Denmark and Sweden and covers only a limited share of Norwegian providers of accommodation services. Only one of the 16 Norwegian hotels in the sample report that they apply this scheme. By initiative from the Norwegian Ministry of Trade and Commerce, the Norwegian Hospitality Association has been leading the work for creating a Norwegian hotel classification scheme. The development of the scheme has been finalized, and the Ministry is in the process of putting out a public tender on who shall be running it. The new scheme is expected to start in 2011 and will replace the existing one.

Although several representatives of the industry participated in the work of developing the scheme, there is still uncertainty related to how many hotels will actually apply the system. One of the most profiled hotel chains – Choice hotels – has signaled that they do not want to use such a system. The Norwegian hotel which we interviewed informed that they regard star classification as old fashion, and that they receive the “classification” they need through customer feedback online. The Norwegian scheme has an ambition of being a modern classification scheme, and to be more dynamic than existing schemes. This is achieved by incorporating surveys on customer satisfaction in the auditing process, as well as making the criteria for achieving a specific number of stars more flexible. The new scheme has also introduced criteria related to environmental parameters as well as user-friendliness for disabled people.

A critique of the forthcoming Norwegian system is that it is not directly compatible with any of the existing European hotel classification schemes. From the scheme was initially presented to the public in 2008 this critique has however become less valid as the existing European schemes have been altered making the Norwegian scheme more compatible. In 2009, 7 countries committed to apply almost identical criteria for their hotel classifications and created the Hotelstars Union[4]. The new joint scheme is supposedly very similar to the forthcoming Norwegian scheme.
In Finland there is no star ranking system. The Finnish Ministry of Trade and Commerce has established a working group to discuss the possibilities for creating a star classification scheme in Finland. The work seem however not to proceed as the industry is reluctant to introduce the classification scheme.

The three biggest hotel chains in Finland, the S-Group, Restel Ltd. and Scandic Finland, which currently have 60 percent market share, are not interested in any star classification scheme. They consider the star classification as too technical and old fashioned without any marketing effect. Although the travel agencies and the independent hotels seem to be interested in a classification scheme, the fact that the biggest players are not interested makes it hard to make such a scheme economically feasible. Since the Ministry is not interested in financing the scheme it is not likely that there will appear a star classification in Finland any time soon.

Environmental certification

In addition to the star classification scheme, environmental certification is also frequently used among providers of accommodation services. Of the 23 companies in the web-survey which use

[4] The members of the hotel stars union are Austria, Czech Republic, Germany, Hungary, Netherlands, Sweden and Switzerland.

some type of certification, 8 companies use the Nordic environmental label the Swan, three companies have the Green Key, two companies use the ISO 14001 and five companies use the Norwegian scheme Eco-Lighthouse (Miljøfyrtårnet). One Norwegian company also report use of Green Dot (Grønt punkt) certification, which is a label for recycling.

Other environmental certification schemes such as the Flower and EMAS have been considered, but none of the service providers in the survey have this certification. One Danish hotel also report that they have implemented a Corporate Social Responsibility (CSR) self reporting system which focus on the environmental impact from their activity.

All together 14 of 37 hotel chains have some type of environmental certification of their operations. None of the Finnish respondents use environmental certification. The Finnish Hospitality Association confirms that none of the larger Finnish hotel chains use certification, but that it is common that they have internal systems which they also refer to in their marketing.

The Swan label is used in all the Scandinavian countries, the Green Key is most frequently used in Denmark (one in Norway), while the Eco-Lighthouse label is only applied in Norway. Interestingly three of the hotels are certified according to two different environmental labels.

One Swedish company has both the ISO 14 001 and the Swan, a Norwegian hotel has both the Eco-Lighthouse (Miljøfyrtårnet) and the Swan, and a Danish hotel has both the Green key and the Swan. It is uncertain whether this indicates that the certification schemes complement each other in some way, for example for marketing purposes toward customers from different countries, if it is just a consequence of a hotel chain applying different certification schemes for different hotels, or both.

Other certification and quality schemes

In the web-survey, one Swedish hotel reported that they apply two labels by the names Safe hotels and Swedish spa hotels (Svenska spahotell). Swedish spa hotels is a label granted to Swedish hotels which fulfill specific relevant criteria related to providing spa services. Safe hotels is an international certification scheme for hotel and conference venues which assures that safety standards with respect to areas such as fire equipment, fire procedures, general security, staff and security equipment are fulfilled. The scheme is operated by Safehotels Alliance which audit hotels and conference venues according to the The Global Hotel Security Standard. The scheme is introduced in Sweden, China, Turkey, Latvia and Finland.

One Finnish hotel reported that they use a certification scheme called Quality 1000 (Laatu1000) which is a national quality improvement system for the Finnish travel industry managed by Travel Finland. The scheme is mostly applied by smaller hotels. Among our respondents only one hotel is ISO 9001 certified (quality management system), while one hotel is certified according to the ISO 28000 (supply chain security).

Why do companies (not) certify, and what are the effects of certification?

Information about certification from the industry organization

Of the 19 companies which responded to the question on how they learned about the certification scheme, 17 of the companies report that they learned about it from the industry association. As the hotel classification scheme in Sweden and Denmark is managed by the industry associations this is not surprising.

It is however interesting that also environmental certification schemes are introduced to the hotels by the industry associations. While the Danish Hospitality Association – HORESTA – operates as a certification body for the international Green Key label[5], the Norwegian Hospitality Association however state that they don't promote any specific environmental certification scheme to their members. Although the Norwegian association is familiar with the fact that prices and quality of the different certification schemes may vary, their attitude is that any environmental focus is better than none.

Certification signals service quality

According to the providers of accommodation services the most important reason to become certified is that it functions as a proof of the company's quality. This is considered as the most important reason to become certified, regardless of which type of certification is applied. Demand from customers, marketing purposes and competitive advantage are also regarded as important reasons to certify, but slightly less so than the quality signaling effect. Since these categories are related it may be difficult to actually separate the one from the other. Similar to the other sectors in this study, entry to foreign markets is regarded as the least important reason to get certification.

Half of the respondents find that the benefit of certification outweighs the costs, while one fourth say probably and the remaining fourth is uncertain. Compared with the other sectors in this study, accommodation services, along with fundraising for charity, is the sector where companies seem to be the most convinced about the net benefits of certification. Of the 10 companies which are not certified, five of them, all Finnish, consider certification not to add any value to their business or that certification is too expensive.

The respondents in the interviews have varying views on the star classification system. The Danish interviewee, Sørup Herregård, was supportive of the star classification system, and emphasized its importance as an objective way of classifying the quality of the accommodation service. Sørup Herregård finds that the classification works in the way that the hotels end up with the star they deserve, and that it is a common system which customers can understand and relate to.

An other interviewee, Hotel Terminus, is however skeptical towards star classification. They claim that modern customers relate to online evaluations from former customers, and do not need any star classification system in order to orientate themselves. They consider the star classification system to be redundant and consequently a waste of resources. Hotel Terminus also argues that the fact that the criteria for the star classification schemes are not harmonized across countries makes it even less useful for international marketing.

Strong focus on the environmental impact of accommodation services

Proof of service quality, demand from customers and competitive advantage are also regarded as important reasons for certifying the hotel according to environmental standards. Somewhat surprisingly, improvement of internal management systems is perceived as less important.
Hotel Terminus which is certified according to the Eco-Lighthouse label (Miljøfyrtårnet) informed that they had saved significant amount of resources by implementing new routines, cutting down the use of disposable packaging and energy, and for managing food in a more effective way. The costs of being certified and implementing the system was easily covered by the economic benefits from being more efficient with the use of resources. Although the hotel says it might have managed to implement the same environmental focus without any certification, they argue that the certification is an efficient way of making the hotel more focused on their environmental impact.

Hotel Terminus also finds that environmental certification is a good way to show to potential customers that the company is concerned about the environment, and how it makes an effort to limit its negative impact on the climate and local environment. As the hotel is located in historical

[5] The Green Key was however a strictly Danish national environmental label until the year 2000.

buildings it is also part of the hotel's image to preserve and maintain what they have, including the environment. Furthermore, environmental certification has the effect of making employees proud of their work place.

Hotel Augustin, part of the Augustus corporation together with Hotel Terminus, had previously been labeled by the Swan (Nordic label), but had changed to the national Eco-Lighthouse certification scheme (Norwegian label). Hotel Terminus also considered the ISO 14001 but found it too bureaucratic. Hotel Terminus found that the environmental certification schemes were very similar, but they however perceive the Eco-Lighhouse as more dynamic and relevant, while the Swan was more a snapshot picture of the hotel's activity. The hotel does not have the impression that foreign customers care about the fact that their certification is a national one. Moreover they find that the in general guests do not differentiate between certification schemes, but that they assume that there is a serious environmental effort behind the certification, regardless of which environmental certification scheme it is.

Sørup Herregård from Denmark has chosen not to use any environmental certification, but use something called CSR reporting (Corporate Social Responsibility). The reporting routines are developed based on advises from the consultancy company COWI A/S, but does not include external auditing.

The CSR reporting is a means to make the company environmentally and socially accountable by reporting publicly on their websites on specific parameters such as climate gas emissions, and actions to integrate young people and new citizens in the workforce. The CSR reporting also include specific goals for the next years such as cutting down on electricity and waste with 15 percent, or cooperating with the municipality on a business network focusing on integration. As part of their CSR strategy the hotel has also decided to buy the climate credits equivalent to the hotel's own emissions.

Sørup Herregård got introduced to the CSR reporting trough a working group put together by Danish authorities. The hotel experiences that the CSR reporting is an efficient way of cutting emissions, but mainly it is a way of assuring guests that they can enjoy their stay with a good consciousness regarding environmental or social issues.

Importance of costs related to certification of accommodation services

As mentioned above, providers of accommodation services are generally convinced that the benefits of certification is larger than the costs. The fact that the national industry associations in Denmark and Sweden operate the classification schemes themselves on a non-profit basis probably also helps to keep the costs to a minimum.

Among the alternatives listed the companies report that cost was the least important argument when deciding on which certification they should apply, while the quality of the scheme and the fact that it suits the company's needs is much more important.

Hotel Terminus in Norway told that they previously had been certified according to the Swan, but that they had switched to the Eco-Lighthouse (Miljøfyrtårnet). They found that the schemes were quite similar apart from that the price charged for being certifying according to the Eco-Lighthouse was about one tenth of the Swan. While the Eco-Lighthouse costed EUR 375 (3000 Norwegian kroner), they had previously paid EUR 5000 (40 000 NOK) for the Swan. The Swan had promised that as an additional service they would help the hotel with gaining environmentally focused customers. This however never proved to be the case. Hotel Terminus finds that the Eco-Lighouse audits are just as thorough as the Swan. The Eco-Lighthouse scheme may however have a cost advantage due to the fact that it is the municipality that performs the audit and grants the certification. In fact the Eco-

Lighthouse label is meant for small and medium sized enterprises, while the Eco-Lighthouse foundation inform on their web-pages that they recommend larger companies to get ISO 14001 and/or EMAS certification, within some industries they also recommend Swan certification.

Brands and certification labels as substitutes

Among the fiercest opponents of the star classification scheme in Finland and Norway you find the larger hotel chains. They have less need for certification as they already have a well known brand and a strong position in the market. Many of the chains also have their own internal system for branding different part of their chain towards specific customer groups. For instance, Choice hotels brands its hotels by labeling them “Comfort”, “Quality” or “Clarion” indicating what type of service the customer can expect from the respective category. One of the reasons why the larger Finnish hotel chains are against the star classification system is because they already have a well established brand signaling a specific quality, and do not see the need for a star ranking system.

A few of the larger hotel chains which are certified, argue that it is of less importance whether the certification is recognized in other countries because they already have a well known brand. On the question to what extent a well known brand is important for succeeding in a foreign market companies very mixed answers.

Certification and regulation

Although the star classification scheme is voluntary, it has emerged in both Denmark and Norway as a response to initiatives from the authorities that there should be a system for quality assessment of accommodation services. A similar initiative has recently been started by Finnish authorities. The authorities have regulating power, and can put pressure on the industry by giving them the option to “self regulate or be regulated by law”. From the answers in the web-survey it is also apparent that most of the hotels prefer voluntary certification to governmental regulation. Of the 28 hotels which answered the specific question 26 of them agreed that they prefer voluntary certification to government regulation, of which 80 percent considered the topic “relevant” or “somewhat relevant” for their industry.

What is the potential for service exports?

Out ff the four sectors, accommodation services has most international interaction with customers from all over the world, and large hotel chains with activity in multiple countries. Five of the respondents have hotels in more than one country, while 32 of them have customers from other countries.

It is also promising that there is an increasing willingness among national associations to harmonize the criteria on a international level in star classification schemes, cf. the establishment of the Hotel stars union including seven countries in 2009.

Quality of services is regarded as the most important factor for succeeding abroad. Most of the respondents agree that this a “very important” factor. While “local presence” and “strong company brand” are more ambiguous factors with regards to succeeding abroad, “big marketing budget” is considered by most respondents to be less important.

One could think that since “quality of services” is regarded to be a very important factor for succeeding abroad, and “proof of quality” is the most important reason to certify, that certification would be an important means for verifying your quality and gaining access to foreign markets. This does however not seem to be the case as “entry to foreign markets” is on average regarded by the companies as the least important reason to certify. This is confusing, as it seems as if the answers are not consistent.

The star classification is perceived by most respondents to be internationally recognized. Among the environmental certification schemes the degree of international recognition varies. Two out of three respondents find that the Green Key is internationally recognized, while the third respondent considers it to be internationally recognized, but only in some countries. Two of the users of the Eco-Lighthouse scheme report that it is not recognized in other countries, two report that it is internationally recognized but only in some countries, while one reports that it is supposed to be internationally recognized, but that it is not.

The group of respondents in the web-survey is split in half on the questions whether there should be more international standards within accommodation services. Taking a closer look at the responses shows however that the majority of those who disagree do not consider the statement relevant for their activity, while all of the respondents which agree with the statement consider it relevant.

How important is the certification body?

Of a total of 20 respondents about half find the quality of their certification body very good, while nine companies consider it to be satisfactory. Only one respondent consider the quality to be poor. The degree of satisfaction is higher within accommodation services than within any other of the sectors. Looking at each of the certification schemes separately, none of them point out to have lower quality of the certification scheme than the other.

As pointed out previously there is no national star classification scheme in Finland. Moreover, although the Finnish hospitality association indicated that some of the independent hotels would be interested in star classification there are no Finnish star classified providers of accommodation services. Our hypothesis is that having certification schemes operated by national industry associations has a conserving effect on the spreading of certification across borders. The mandate of national industry associations is to focus on their national members, and hence are there no incentives to certify companies in other countries.

There are good reasons to believe that if the star classification audits had been performed by independent professional certification bodies, and not national industry organizations focusing solely on their national members, it is likely that Finnish hotels which wanted certification also would get it even if the national industry association did not support it.

Future prospects for certification within accommodation services?

With regards to environmental certification there are several types of schemes on the market. Allegedly are the criteria related to the environmental certification not so different from each other. The impression from interviews and web survey is that the providers of accommodation services don't seem to worry that the existence of multiple certification schemes might confuse their guests. One of the interviewees responded that customers regard an environmental certification as a proof of quality regardless of which certification it is.

It is interesting to notice that many of the certification schemes such as the Flower, EMAS, the Swan and Eco-Lighthouse are related to public authorities. This should indicate that there is a scope for international coordination.

Although accommodation services and nursing homes for elderly have many similar characteristics, it is interesting to notice that the sectors apply different types of certification. While the most frequent certification among providers elderly care services it the quality management certification ISO 9001, this type of certification is very rare certification among hotels. Furthermore environmental certification is very popular among providers of accommodation services, while environmental certification is still rather rare among elderly care service providers. Since the two sectors have many resemblances it is interesting to focus on differences that can explain the diverging patterns.

Although they have many similar characteristics, elderly care services is part of health services and has primarily municipalities as customers (B2G), while accommodation services is mostly bought from private companies (B2B) and consumers (B2C). The fact that elderly care services is related to health services makes the quality management system more important for the municipalities, than it is for customers buying accommodation services. The customer-provider relationship between the provider of elderly care services and the municipality is also of a considerably longer duration which increases the downside of poor quality management compared to a hotel customer who more easily can change service provider in the case of poor service due to lack of quality management.

The rationale behind environmental certification is different. There is no reason based on service characteristics why environmental impact is more important for accommodation services than it is for elderly care services. We believe that it has to do with customer demand. While quality has a direct impact on the service provided to the customer, environmental impact is more abstract and to a limited extent related to the direct service observed by the customer.

Still, more people are becoming conscious about the negative external effect on the environment from unnecessary use of resources and are interested in adjusting their own behavior accordingly. To be an environmentally certified provider of accommodation services has hence an important marketing effect towards customers. For the same reason that quality management certification seem to be less important for hotel customers because they rather easily can service provider for the next night if the quality is unsatisfactory, is environmental certification more important for the hotels because it is a marketing tool which attract customers. From the interviews the impression is that municipalities are becoming more aware of environmental parameters in their procurement of elderly care services, but that there is still few which expect environmental certification.

5. Case 3: E-learning services

Why study this sector?

Education and ICT are two of the largest service sectors in the Nordic countries. E-learning is a particularly interesting service since it combines ICT and education. Hence it is a combination of a distributive service and a problem solving service. While education is typically considered more of a sheltered product, the combination with ICT, which typically have low marginal costs, enables it to be a tradable service. In fact, the most interesting feature about e-learning is its huge potential for international trade. This trade will typically be Mode 1 service trade, with the service being delivered within the territory of the Member, from the territory of another Member.

E-learning services is a heterogeneous sector consisting of a wide range of institutions and firms both with respect to size, international recognition and not least public accreditation[6]. While many providers of e-learning programs are well known in their domestic markets, most education institutions are less know outside their borders. In order to build trust in the market for cross boarder e-learning programs, certification has a potentially important role to play.

To what extent do e-learning companies use certification today?

Although most of the respondents are aware of relevant certification schemes available for their sector, only one third (eight respondents) reported that they have some type of certification. There seem to be no pattern regarding which certification schemes are applied by the e-learning providers,

[6]Accreditation in this context means that educational organizations are granted the right to arrange exams and graduate students by public authorities. Although analogous it should not be mixed with the accreditation granted from national accreditation bodies to certification bodies.

or which countries the certified providers are located. Of the four service sectors we have focused on in this study it seems that e-learning is the sector where the use of certification is the least widespread. Except from one respondent which answered that some of its employees are certified in e-learning pedagogics, none of the certification schemes were specific for the e-learning sector.

Survey of e-learning providers

24 companies and institutions providing e-learning services answered the online questionnaire. About two thirds of the respondents are universities or colleges, which provide flexible learning programs in parallel with their traditional activities. The remaining are companies and institutions focusing specifically on e-learning. Our impression is that this is also representative for the e-learning sector as a whole. Universities are large providers of educational services regardless of whether it is off- or online.

To get a better understanding of the e-learning sector we did follow up interviews with a selection of the respondents from the survey. Among the interviewees were two universities, three specialized e-learning providers and one producer of e-learning platforms. In addition we interviewed the national industry associations in Sweden, Finland and Norway.

From interviews with the national industry associations, we learned that none of them have a certification scheme for e-learning. The Association of Finnish eLearning Centre is however planning to launch a certification scheme for smaller e-learning providers autumn 2010. The Norwegian Association for Distance Education (NADE) has since 1992 had a code of conduct on quality, which their members offering distance education programs are required to comply with. The standard was initially made as a response to an initiative from the Norwegian Ministry of Education. NADE does not exercise audits to monitor whether their members are in compliance, they do however claim to have control of their members' quality management system. Because of this requirement some of their members use the NADE-logo on their homepages as a signal of quality of their e-learning services.

Upcoming national certification scheme for e-learning in Finland

The Association of Finnish eLearning Centre is an independent national association that promotes knowledge, best practices and quality in eLearning. They are currently working on a national quality label for e-learning – "e-learning quality mark" - which is intended to start autumn 2010. The scheme is made in cooperation between the eLearning Centre and its members. The purpose of the scheme is that small and micro e-learning enterprises to show to their customers that they are evaluated, and that they provide quality e-learning. Universities are out of the scope for the quality label as they already have their own quality handbook and are accredited by public authorities. The auditing of the scheme will be done by the Finnish eLearning Centre.

The Norwegian University of Science and Technology (NTNU) is a public university, but does also provide courses for private enterprises. In order to supply educational services to the power industry they needed certification according to Sellicha. Sellicha is a quality label which assures the buyer that the seller complies with the relevant national as well as EU-regulations.

The label is used in Norway and Denmark, and the label is an integrated part of the procurement process for power companies. Sellicha certification is de-facto compulsory in order to supply services to this sector.

NKI Nettstudier is based in Norway, and is the largest Nordic company specialized in flexible learning. NKI is accredited by Norwegian public authorities according to the law on adult education. NKI's only certification is for their vocational studies in hydraulics. The certification is called CETOP, and is based on the guidelines developed by the European Fluid Power Committee (CETOP), which is the international umbrella organization for national fluid power associations in Europe. The scheme is international with CETOP Certified Education Centers found in Finland, France, Italy, Norway, Switzerland and the UK. The certification is needed in order to provide acknowledged education within hydraulics.

Fronter is a producer of e-learning platforms for schools and higher education students. Although they do not supply e-learning services directly, they play an important role in e-learning industry and the technological premises for which e-learning services are provided. Fronter is certified according to several certification schemes such as quality management systems (ISO 9001), environmental management systems (ISO 14001) and supply chain security (ISO 28000). They also have personnel which are certified e-learning teachers. Even more important than the certification for Fronter is it that the Fronter Platform is in compliance with international technical standards for electronic or web-based learning tools[7]. This is particularly important for their private customers. Since it is apparent whether their platform is in compliance with the standards or not there is no need for certification here.

Prizes – a way of signaling quality of e-learning services

Rockway is a recently established Finnish music school providing their services online. In 2010 they won a price for the best e-learning solution in Finland. They emphasize that the prize is particularly important for establishing business partners, while their customers seem less concerned about it. The fact that many of their music teachers have degrees from the highly accepted Pop and Jazz University in Finland is however regarded as a good quality signal towards customers.

The National center of e-learning knowledge has established a prize for the best newly developed e-learning activity in Denmark. The previous prize was awarded VIA vocational training which has developed a construction site in the virtual reality game "real life" for training of carpenter apprentices. For the service providers which are awarded such prizes the marketing effect is better than any certification.

Public accreditation is a substitute for voluntary certification

There are many universities and other providers of higher education which offer flexible courses. These courses tend to combine e-learning with seminars that require local presence. In all the Nordic countries higher education is regulated by law. To be eligible to provide formal higher education the institution must be accredited do to so by public authorities. Hence, all universities and university colleges are already part of a public "certification scheme". Through the Bologna-process there has also been established a system of mutual recognition of higher education provided by accredited institutions in Europe.

The so called European Higher Education Area covers 47 countries and has the mission to promote mobility of students across countries by making comparable educational degrees and assure the quality of these.

[7] Web-based e-learning platforms have many similarities with traditional goods. The most relevant resembling characteristic in this study is that the customer easily can assess whether the product is in accordance with the standard. This distinguishes it from most services which are more complex in this sense. Like most software however, e-learning platforms are also considered a service since it is adjusted to each customers need and because a large part of the service is the support service after the purchase.

Also in the web survey and interviews many of the universities point to that they are accredited by their respective Ministry of education when asked whether they are certified. The University of Akureyri on Iceland also mentioned that the EU Commission has established its own quality labels - the ECTS and the Diploma Supplement certification - for institutions which make teaching and learning more transparent and facilitate the recognition of studies and qualifications across borders in an exemplary manner. In 2009 there were 65 institutions from 16 countries which were awarded this certification in recognition of their efforts to make it easier for students to study abroad.

Most accreditation is however of the institution as a whole and not the courses thought through distance education specifically. This implies that the quality of the e-learning courses may vary significantly even though the course is provided by an accredited institution. According to the law for adult education in Norway there is a system for public approval of e-learning providers. Although the scheme is still in place the requirements have become more general sine a new revised law came in place as of 1. January 2010.

As a response to the lack of specific e-learning certificates within higher education the organization European Foundation for Quality in E-learning (EFQUEL) has launched a European quality label for e-learning within higher education called UNIQUE. The scheme was launched in 2009, and aims to be an “umbrella” label which recognizes existing national arrangements. The scheme is build on a holistic model, focusing on pedagogies, technologies and support services. The quality label has been established based on the recognition ICT-based learning becomes increasingly more widespread among universities in Europe. The label is however not in use by any of our respondents.

Although the industry associations in the Nordic countries are all members of EFQUEL, the work with the quality label does not seem rooted with the national associations for distance learning, at least not the Nordic ones. All together, there are currently seven European Universities which are fully UNIQUE certified for the period 2009-2012, the only Nordic University among these is the Helsinki University of Technology.

Why do companies (not) certify, and what are the effects of certification?

As pointed out the e-learning sector is highly heterogeneous. The biggest difference appears to be whether the e-learning services are provided by a publicly accredited institution or not. The presence of public accreditation has clear implications for the relevance of voluntary certification schemes. Similar to certification schemes, accreditation by public authorities involves control of quality management systems and, depending on the level of accreditation, that the courses satisfy national quality standards. The accreditation system does hence seem to play the same role as a voluntary certification could, which in turn diminishes, or removes, the need for voluntary certification schemes for accredited institutions.

The fact that the accreditation system within higher education also involves a system for mutual recognition across borders makes it even a role model for most certification schemes. The general impression from the Norwegian Association for Distance Education is also that Norwegians in general are less concerned about labels relating to distance education. There are however still reasons why certification of e-learning may be needed.

Firstly, as pointed out above, does the accreditation not specifically cover the institutions’ e-learning services. This means that the accreditation does not necessary assure that the quality of the e-learning services, which is a combination of both pedagogics and ICT, holds a sufficient quality. The fact that the Unique certification on ICT-based learning for higher education was recently established may point in this direction. It is also interesting to notice that when the e-learning institutions are confronted with the statement “voluntary certification is better than governmental regulation” most of them tend find to agree with the statement as well as consider it to be relevant.

Customer demand and proof of service quality
Demand from customers along with proof of service quality was regarded as the most important reasons to certify in the web survey and the interviews. The aforementioned Sellicha certification for suppliers to the power industry, and the CETOP certification for vocational training in hydraulics are concrete examples of additional voluntary certification schemes applied by accredited institutions because their customers require it, or because there is a parallel “accreditation system” a side the system for formal higher education.

Only four of the respondents which were certified answered the question regarding what reasons were important for their choice of certification. All of these however regarded the price of the certification as a “less important” reason why they choose the specific certification. Price does however not seem totally irrelevant, two of the respondents which did not use certification argued that had refrained from using certification because it was too expensive.

Do the benefits outweigh the cost of certification?
There seems to be a great uncertainty attached to whether the benefits outweigh the costs of certification. Among the certified respondents none of them gave a clear yes or no answer regarding the question whether they find that the benefits of certification outweigh the costs. While two of the respondents answered “probably”, three of them answered “uncertain”. When the question was asked in the interview the respondents which are familiar with the use of certification tended to think that there is a net benefit of certification. On one hand they pointed to that it requires significant resources to manage the certification by being in compliance with the standard. On the other hand they argued that much of this work contributed to raising the quality of the institutions processes, and gave them an extra push to keep up with the standard.

By all interviewees it was emphasized that it is a great advantage that the certification is based on international standards. The web-survey sample was equally split between the respondents on whether they agree on that there should be more international standards within the e-learning sector. There was however also a possibility to tick of how relevant this issue was for the company. Correcting for this it appears that all of the respondents agreeing on the need for more international standards regard the issue as somewhat relevant, while none of those who disagreed with the statement regard it as a relevant issue.

Among the respondents which do not use certification the most frequent argument is that certification do not add any value to their business, while the second for not having any certification is that it does not add any value to the companies, which was about half of the respondents. Half of them argue that they have chosen not to use certification because it does not add any value to their business.

Potential for service exports?
One important questions of this study is to what extent internationally harmonized certification is regarded as important for international trade. In the web-survey half of the e-learning providers (one fourth of the respondents) have some type of international interaction. While the most common interaction is foreign customers in their domestic market (Mode 1), a fourth report that they export their services out of the country, while two of the respondents reported that they have established operations in two or more countries.

European countries, and especially other Nordic countries, are currently the most frequent export markets. From a list of five different options, including an optional factor, quality of the services is regarded as the most important factor for succeeding in a foreign market. Compared to factors such as local presence, strong company brand and big marketing budget, quality of services is regarded as the core factor for success. This is, unsurprisingly, also a pattern we find in the other sectors. Exchange of educational experiences as well as more cooperation between specialized e-learning companies and accredited institutions for higher education was also brought up as key factors for being successful outside domestic markets.

Still limited trade

International trade in e-learning services is still highly limited. E-learning courses are mainly provided on a domestic level. Technologically there is no hindrance for providing e-learning services. In most cases when e-learning courses are provided across borders it is however to national citizens located abroad. Still, there is a clear consensus among the interviewees that the potential for exports of e-learning services from the Nordic countries is large.

Potential for export

Some of the respondents pointed to that the largest potential for exports is perceived to be within subjects where the country has unique knowledge. On Iceland that could typically be on topics such as Polar law, or renewable energies, while in Norway it could be subjects related to gas and oil, maritime and marine subjects. In addition are the Nordic countries perceived as international frontrunners within e-learning, both within e-learning pedagogics and technology.

The case of Netbaseret AkademiUddannelse

Netbaseret AkademiUddannelse is Danish company providing e-learning courses on behalf of seven Danish business colleges. They see a clear potential to expand internationally by providing e-learning courses for Nordic enterprises which operate globally, and have already had inquiries from Danish companies which wanted to use their e-learning courses to do in-service training also for their employees in other countries.

Although Netbaseret AkademiUddannelse not yet has focused on export markets, international expansion is clearly a part of their long term strategic planning. They emphasize however that in order to export their e-learning services abroad several adjustments of their courses, as well as the organizational set up, must be done. The smallest challenge is the language since some of their corresponding campus courses are already provided in English. While subjects such as marketing is international in its nature would need only smaller adjustments, courses which are focusing on Danish specific conditions, such as regulations and to a certain extent management, need larger adjustments if they should be relevant in other countries.

Like most of the other interviewees, Netbaseret AkademiUddannelse also emphasized the need to acquire local competency. Furthermore they highlighted that in order to be recognized they would need to gain national accreditation (for countries not part of the bologna-process) and to have teachers which are certified within e-learning, equivalent to the Danish certification scheme on e-learning pedagogics. One specific problem for Netbaseret AkademiUddannelse is that they offer a college level education, which is less recognized outside Denmark. If they were to expand internationally they would probably have to adjust their programs to internationally recognized bachelor and master degrees.

Cultural differences is an impediment to trade in e-learning

All interviewees underlined the importance of recognizing the importance of cultural differences when exporting educational services online. Although e-learning is provided online and in principle is one of few services that does not require physical presence, all respondents made clear that expansion into foreign markets would need a partner with local know-how. Local knowledge is not only important because of linguistic differences, but also due to other cultural differences, such as the way of teaching and learning. A local partner is also regarded as important in other to market the e-learning service towards potential students. NKI net studies' previous cooperation with a Canadian university on a master program for distance learning pedagogics is an example of such a partnership. Although the program never gain real foothold in the market and was only done as pilot it was emphasized how important the partnership institution was in order to get in contact with Canadian students.

The lack of incentives to export educational services
The University of Akureyri is the only university on Iceland located outside the Reykjavik-region. In order to attract students it has been important for them to establish a program for flexible so that they more easily can attract students from all parts of Iceland. Although they do not export e-learning services today, they have foreign campus students. In the interview it was pointed to an interesting fact that the University of Akureyri is a public university which is not allowed to charge tuition fees directly from their students. Hence are the incentives to provide e-learning services to foreign students limited.

When focusing on exports of e-learning services it is important to have in mind that there might be such structures matters which must be adjusted first. Interview with NTNU in Norway confirms that this problem is not unique for Iceland. Although public providers of higher education may charge tuition fees for private companies buying educational programs and students on continuing education, they are not allowed to charge tuition fees from students on regular programs.

Internationally recognized certification is no quick fix for international trade
The fact that quality of services is regarded as the most important factor to succeed internationally should imply that there would be a demand for a way to signal this quality. From a theoretical point of view, certification, if recognized by potential foreign customers, could potentially be such an instrument. In the web survey, "entry to foreign markets" was however regarded as the least important reason for being certified by the respondents. This does however not necessarily imply that certification could not potentially be an efficient means for trade, or at least that certification does not become an impediment to international trade.

If the relevant certification is not recognized in other countries, then obviously is "entry to foreign markets" not an important reason for choosing this specific certification scheme. The certification applied by the e-learning institutes and companies are generally perceived to be recognized in other countries, at least partially. Among the respondents in the web survey recognition of their certification scheme abroad is however considered to be less important as their certification is either not perceived as important in their export markets, the company has local establishment in the other country, or the need for certificate is less prominent due to the institute's well known brand.

The respondents seem quite unisonous on the fact that internationally recognized certification schemes are not a "quick fix" to increase international trade in e-learning services. For example is the apparent need for local partners in the export market something that cannot be overcome by international certification schemes, although it may help for establishing partners as well. Rockwell, the Finnish provider of online music lessons, argues that certification, or other types of quality signaling, is important in order to establish business companions.

Fronter, the producer of e-learning platforms argues that it is important that we have as few red tape barriers to trade as possible – "the natural barriers towards service trade are large enough as they are". Hence, for export minded companies international certification schemes and standards are preferred since they reduce the need to adjust to different standards and certification schemes depending on which country they operate in. The University of Akureyri on Iceland also argues that the DS-label from the EU commission is a proof for good quality of the university, which in term makes it easier for their students to get accepted at post graduate studies abroad.

Fronter argues that the fact that many of the standards related to their e-learning platform are international makes it much easier to sell their e-learning tool in different national markets. Since most of the requirements are the same they can simply translate the language without any further adjustments. Examples of such standards are SCORM, IMS Enterprise, IMS Content Packaging, IMS and QTI. It was pointed out that small adjustments costs related to exporting services into a new country, is especially important in order to increase the competition and variation of services in smaller countries where the markets are limited in size, such as the Nordics.

How important is the certification body?

In order for a certification scheme to be trustworthy it is not sufficient that the requirements or standard making the basis for the certification are relevant. It is also of utter importance that the third party making the auditing – the certification body – is regarded as serious. A situation where some certification bodies are following the requirements, while others are shirking their control routines, risking that companies use certification without complying with the criteria is an unfortunate situation, and potentially devastating for the whole certification scheme.

In the web-survey three respondents perceived the quality of their certification body as satisfactory, one as very good, and one perceived the quality of the certification body as poor. It should be emphasized here that the respondent that found the certification to be poor was not certified by a professional certification body. It is hard to draw any firm conclusions from this as the e-learning providers all are certified according to different types of certification schemes.

What are the future prospects for certification within e-learning?

We identified no specific demand for certification schemes among the Nordic e-learning institutions from the survey. About one third of the respondents use some type of certification, although there is no pattern on what type of certification is applied. The most frequent reason for using a applying a specific certification scheme is to comply with the demand from their customers. Internationally harmonized certification is not emphasized as an important means for international interaction. The respondents do however seem to prefer international certification to national certification.

One obvious reason why there seem to be little use or/and demand for certification within e-learning, is because of the aforementioned international system of accreditation for higher education in Europe. This is a system which also applies to accredited institutions providing e-learning, and which through the Bologna-process makes sure that exams from any accredited European university should be accepted in all European countries.

There are however also institutions and companies supplying e-learning services which are not accredited, or for which the accreditation is only valid for specific courses. For smaller e-learning companies providing courses outside the formal education system there seems to be a demand for certification which can prove that the company is under control and comply with certain standards. The best proof of this is that they are starting an e-learning quality label in Finland this coming autumn.

Regarding export of e-learning services it seems to be a problem that Universities and other providers of higher education lack the incentives to export e-learning services. On Iceland for example the universities are not allowed to charge fees for their services, hence do they not have any incentives to internationalize their educational services. Although solvable, such organizational structures are clear impediments to internationalization. It may also be a challenge that the universities lack the technical e-learning expertise. As was emphasized by the Norwegian Association for Distance Education, the key for international success might be through cooperation between companies specialized in e-learning and accredited universities and colleges.

6. Case 4: Fundraising services

Why focus on this sector?

Fundraising for socially beneficial purposes, such as humanitarian work, culture and environment, performed by NGOs is a large and growing service activity. Most of the NGOs do not engage in commercial activity, hence raising funds from the civil society is an important part of how they finance their activities. In order to raise funds it is crucial that the donors trust that the funds raised are in fact used for its intended purpose. However, it is difficult for the individual donor to verify whether her money is spent according to the promised intention in an efficient manner, or not. Consequently it is crucial for fundraising organizations to find some way to signal their trustworthiness. Fundraising is hence a good example of a service sector for which certification can be used in order to avoid market failure.

Fundraising for socially beneficial purposes – a service?

As fundraising for socially beneficial purposes is often categorized as the third sector representing civil society, some may react to the categorization of fundraising for socially beneficial purposes as a service. It is hence important to clarify how we think about fundraising as a service. The “customer” in the fundraising sector is the person, company or authority which donates money to the socially beneficial purposes. In this case the customer wants to “buy” a specific social beneficial service including the transaction of funds to this purpose. Like any other customer, the donor wants to get the best service available for the price she is willing to pay. That is, the donor wants as much of the social beneficial purpose as possible for the amount she is willing to donate.

The service which the donor buys is composed by two elements. The first part is the fundraising service, while the second part is applying the donations collected for the socially beneficial purpose. While some charity organizations focus merely on the fundraising part, and let some other organization apply the funds, others do both. The fundraiser, like any other service provider, seeks customers for their product. The product in this case is the socially beneficial purpose, including collection and transaction of capital for it. This is a product of which the quality is very hard for the customer to assess. There are several reasons for this. Firstly the customer does not observe the service, because it is not given to her directly. Secondly, even if the results would be observable, because there are many other donors involved it is hard to know how efficient the funds have been applied given the total amount collected. Both these factors, as argued above, create a need for some kind of certification which can verify the quality of the service, and make it possible to compare different service providers in a more objective way.

What distinguishes the fundraising for socially beneficial purposes from other sectors is the presence of humanitarian motives. This goes for the donor, but also the organizations providing the service which are often non-governmental organizations without any profits. Although the larger organizations performing fundraising for socially beneficial purposes are professionalized with fulltime employees, the fact that the sector also attract volunteers representing civil society, without any financial numeration can make it hard for many to think of it as a service.

Still, organizations doing fundraising for socially beneficial purposes are not sheltered from the fact that donors want the social beneficial purpose to be maximized for a given donation, and it is also so that organizations compete with each other for donations. It is also to the benefit of the sector that the best and most efficient organizations win and grow larger, while the less efficient ones become more efficient, or disappear. In order to base this competition on factual achievements certification has a role to play.

To what extent do Nordic fundraisers use certification today?

Today there exist certification schemes in Sweden and Norway for organizations engaged in fundraising for socially useful purposes[8]. The Swedish scheme is operated by the independent company Svensk Innsamlingskontroll (SFI), and is called 90-konto. The 90-konto is well established and many claim it has somewhat close to a de-facto compulsory status in the Swedish market for certification. In our sample there are however Swedish fundraisers who are not certified with the 90-konto.

The Norwegian scheme is called Innsamlingsregisteret (register of fundraisers) and was recently established as a response to the Norwegian law on registration of fundraising (2009) which requires that there be a voluntary certification scheme for fundraising. The scheme is operated by the independent body Innsamlingskontrollen which perform the auditing.

Although all the large fundraisers operating in the Norwegian market are registered with Innsamlingsregisteret, the Norwegian scheme has not yet achieved the same position as the 90-konto has in Sweden. Only half of the Norwegian respondents were certified according to Innsamlingsregisteret.

Survey on organizations performing fundraising for socially beneficial purposes
All together there are 28 organizations/companies which responded to the online survey. Half of them are locate in Denmark, five in Sweden, two in Finland, six in Norway and one on Iceland[9]. Ten of the companies report that they use some type of certification, eleven companies responded that they are not certified, while the remaining seven either did not know, or did not respond to the question.

In addition to the web survey there was arranged a workshop in Copenhagen with the headline "Charity: Fundraising and Certification in the Nordic Countries". The discussion focused specifically on the topics: 1) what is the purpose of certification - which criteria are important to certify, 2) certification versus authorization/regulation – should it be voluntary, 3) international versus national certification schemes and 4) certification and costs – how to make schemes affordable also for smaller organizations? All together there were 10 participants at the workshop from different Nordic countries representing charity organizations, telemarketing companies, industry associations as well as certification bodies. The list of participants is enclosed in the appendix.

All the Nordic interest associations for fundraising (to our knowledge there is no such organization on Iceland) have ethical standards or code of conducts which their members are to follow. In Denmark

[8] The schemes are actually not called certification schemes but are "registers" of organizations which have agreed to let their account be put under auditing by a third party. This is however within the definition of certification in this project which is "third party attestation related to services/products, processes, systems or persons (EN ISO/IEC 17000:2004).

[9] The list of 205 Nordic fundraising organizations which were approach was selected based on member lists of the national trade associations, accounting data as well as web searches. The contact person was found from visiting the fundraising organizations homepages and indentifying the most relevant person of the organization. In the case that the organization had a dedicated person to the fundraising part of the organization's activity, this person was contacted, if not, the secretary-general was contacted.

the industry association ISOBRO is auditing that the guidelines are being complied with, which for all practical purposes makes it a certification scheme. In fact four of the Danish fundraisers in the web survey considered the ISOBRO scheme to be a certification scheme.

Fundraising for socially beneficial purposes is often regulated by law. This can be directly, that all fundraisers must follow certain rules, or indirectly through criteria which the organization must fulfill in order for the donor to get tax exemption on her donation. Among the Nordic countries it appears that Finland and Denmark has the most extensive regulation on fundraising for charity. In Denmark the fundraising organizations for socially beneficial purposes must be approved under the §§12,3 and 8 in order for the donations to be eligible for tax refunds by the tax authorities Moreover fundraising in Denmark is regulated by the charity law, and it requires permission by policy authority in order to carry out public fundraising.

Although the control mechanisms for fundraising of socially beneficial vary between the Nordic countries, they are quite transparent on national levels, with either one single dominating certification scheme, or an unique public regulation. The only exemption is Sweden where there has been established a “charity rating” which rates Swedish fundraising organizations according to how well the organizations function, and which impact the donations have. This rating operates in parallel with 90-konto operated by Svensk Innsamlingskontroll.

Environmental certification

Apart from certification specific for fundraising, environmental certification seems to be the only other relevant certification for fundraisers. Although none of the respondents have environmental certification, six of the organizations reported that they had considered it.

Why do companies certify, and what are the effects of certification?

How do they learn about them?

Nearly all of the organizations dealing with fundraising learned about the certification scheme from the national industry association. One of the organizations certified according to different schemes in several of the countries also report that it learned about the schemes from donors and the media. One organization did not know how they learned about it, while one Finnish organization using a non-fundraising specific certification, learned about it from an advertisement.

Certification of fundraising and administration costs

Proof of service quality and the seriousness of the company were listed as the most important effects from certification in web survey. While certification is considered as beneficial for marketing purposes, more substantial parameters such as improvement of internal management systems and entry to foreign markets were considered less important. In fact all of the respondents consider “entry to foreign markets” as a less important reason to certify. This is less surprising taking into account that all the certification schemes are national.

An important distinction between organizations working with charity is whether they perform the entire fundraising themselves, or whether they chose to outsource it entirely or partly to other companies. Particularly the use of external telemarketing companies in the fundraising process has been criticized in the media due to several examples where the fundraising and administration costs have been very high.

This should not be mistaken with the conclusion that all fundraising through telemarketing is inefficient. In fact, the Danish industry association ISOBRO argues that telemarketing is the most efficient way of raising funds, and that fundraising through telemarketing is used by a growing number of organizations. The efficiency clearly depends on whether the telemarketing is directed towards already existing donors or randomly sampled people from the phone directory. Obviously the latter is less cost efficient.

The wide acceptance of external fundraisers is also in line with the result from the web survey where more than half of the respondents report that they use external help for fundraising purposes. Most of those using external assistance in the fundraising process report that they apply both voluntary personnel and professionals, such as telemarketing companies.

To avoid high fundraising and administration costs it has become common with certification criteria which state the a minimum amount of collected funds shall be used for the intended purpose. In order to be eligible for the Swedish 90-konto, the fundraiser may use a maximum of 25 percent on fundraising and administration costs. If the cost ratio exceeds 25 percent, the organization must have a qualified reason, or the organization will lose its right to use the 90-konto for fundraising purposes.

As 90-konto is “de facto” compulsory in the Swedish market, the withdrawal of the 90-konto is a huge disadvantage. Previously the 90-konto had an exemption for fundraising trough telemarketing, allowing them to use 50 percent on fundraising and administration costs. This however became a big issue in the media, which made SFI tighten the criteria to 25 percent.

According to Svensk Innsamlingskontroll the ratio on how much of collected funds in Sweden which reach its ultimate objective has improved from 67 percent in 1999 to 88 percent in 2008. This has happened at the same time as gross collected funds in Sweden has increased, implying that the requirement has had a positive impact on the efficiency of fundraising.

The Norwegian certification scheme has as a minimum requirement that 65 percent of the funds raised should go directly to the intended purpose. One of the Finnish fundraisers said that there is a corresponding requirement in Finland that 85 percent of collected funds should go directly to the purpose. In Denmark there does not exist such an explicit requirement.

At the workshop arranged in Copenhagen one of the subjects for discussion was the use of telemarketing companies in fundraising. The Swedish certification body said that with the rule of maximum 25 percent in administration costs the use of telemarketing towards people which are not already donors is nearly non-existing in the Swedish market. Although there is a corresponding rule in the Norwegian scheme of maximum 35 percent, the use of telemarketing is allegedly much more widespread in Norway.

Raising funds by contacting random people over the telephone has an administration cost of way over 35 percent, and in some cases closer to 85 percent. The reason why it is still possible to collect funds this way, and comply with the criteria, is because the management cost ratio is measured as an average of the fundraising activities. This is at least the case in Norway. Hence, although the fund collected trough telemarketing may have very high administration costs, this may be compensated by other types of fundraising collected in a more efficient way.

Public donation is an example of funds for which the administration costs are very low as it usually involves a large sum from one singe donor. As a consequence, public money sometimes come with a requirement that the administration costs related to their donation should be lower than the criteria of the certification scheme. In Norway, public donations was recently excluded from the calculation of the fundraising and administration cost ratio related to fundraising activity.

The experiences may vary between countries, but due to the risk of negative publicity some organizations have also become reluctant towards using telemarketing. People would be less willing to donate if they discover that only a small fraction of the donations actually reaches the intended purpose. However, apart from the potential negative reputation effect, from the fundraiser’s point of view it is “profitable” to do fundraising as long as the amount collected is marginally larger than the administration costs. This is also an argument we encountered from the Danish industry organization during the workshop.

There are examples of charity organizations which “rent out” their label to commercial telemarketing companies in return for a risk free positive return. From an efficiency point of view this is however unfortunate. The transparency on fundraising and administration costs is hence important to ensure that donors can control how much of the donated funds reach its intended purpose.

What is administration?

What is considered administration costs and what is the purpose of the funds is often not clear. For example when a doctor is working in a field-hospital managed by the Red Cross, this is not administration costs, while the employees working at the marketing department of the Red Cross is part of the administration costs. Media tends to rate the organizations based on how much they use on administration. Many fundraising organizations feel however that this is a comparison on false premises. Hence, it is important that the organizations have a well specified mandate for what their purpose is, so that it is transparent what should be considered administration costs[10].

Because this distinction is hard to make, the Danish Ministry of Taxationhas chosen not to require from Danish fundraising organization to report how much they use on fundraising and administration.

Is it possible to certify degree of success?

At the workshop in Copenhagen one of the fundraisers argued that the existing certification and authorization schemes do not focus on the most important factor, which is the output from the donations. That is, the certification should not only focus on the fundraising, but rather the actual results from the money spent. While public organizations which donate money to development aid require that the organizations document their results, this is not required for donations from the private market.

The industry organizations for fundraising argued that it is extremely difficult to measure results in a systematic way which could be compared across organizations. In Sweden it is however now being discussed whether it should be required that the fundraisers should make an impact study of their own activity. Since results often can be hard to measure, it should be up to each organization how they want to assess their own results. The interest organizations also argued that it is of the fundraisers own marketing interest to document results, and that organizations which can’t document success will fall trough in the long run.

Costs

Among those certified, price is regarded as the least important parameter when choosing which certification to use, while which certification scheme their competitors use is the most important. In general it seems as if the costs charged from the certification body are limited. Of the organizations which are certified all but one organization confirms that benefits outweighs the costs of certification.

[10] Some fundraisers only raise funds to give them away to other organizations, while others administrate the projects for which the donations are to be used. Obviously will the latter require more administration, this is however administration which would be necessary regardless of whether they do it themselves, or if they let someone else do it.

Moreover, none of the organizations responding on the web survey which are not certified, reported that they had chosen not to certify because the costs were too high. Svensk innsamlingskontrollen (SFI) report that the cost of 90-konto is 5000 Swedish kronor (EUR 520) pro annum for the smallest organizations (two thirds of the organizations pay this price to have the 90-konto). The maximum costs for having the 90-konto is 70 000 Swedish kroner (EUR 7 360), which is the price 7 percent of the organizations pay. In Norway the cost of being part of Innsamlingsregisteret is in the range of 1 500 – 40 000 NOK (EUR 190 – 5 000). Within this scheme there is an element of cross subsidization as the fees of the larger fundraising organizations subsidize the fee charged for auditing the smaller ones.

The costs of certification tend to be larger relative to turnover for smaller organizations. The Danish industry organization ISOBRO raised concerns at the workshop that certification schemes may hinder the smaller organizations from operating because the administration burden will become too large. It is a potential paradox if smaller organizations end up having problems to raise funds efficiently because they are directly or indirectly required to deal with reporting and pay for external auditing. A concrete related example of such a problem brought up at the workshop in Copenhagen, is the Norwegian Agency for Development Cooperation (NORAD) which does not distribute funds to smaller charity organizations because the monitoring costs end up being higher than the actual donation.

At the workshop in Copenhagen BOS Denmark, collecting funds for the orangutan survival at Borneo, argued that it is not the cost of certification itself, but rather the administration costs related to the reporting which are too large. In addition to the reporting to the certification body, you also have to document compliance with the law, show accountability to the ISOBROs ethical guidelines, report to the board as well as the general assembly. If the organization also collect funds in more than one national markets, it needs to comply with several slightly different certification schemes with different reporting routines, as well as differing national regulations.

Certification versus regulation

Certification and authorization seem to be clear substitutes in this sector. While in Norway and particularly Sweden there is little public regulation of fundraising, but widespread certification schemes, in Denmark and Finland they have more regulation but no certification schemes. All of the countries' industry associations for fundraising do however have their own codes of conduct regarding ethical behavior which the fundraisers are required to follow in order to be accepted as members.

The Norwegian certification scheme for fundraising is established by law (Lov om registrering av innsamlinger), however it is voluntary for organizations to register.

There was no clear answer from the workshop on whether regulation by law or voluntary certification is preferable for fundraising. All participants tend to be biased towards their current national arrangement. While Finland and Denmark already point to that they have sufficient regulation and control in place, Norway and particularly Sweden have a tradition for private sector solutions within fundraising.

SFI, the Swedish certification body, argue that certification is a better auditing process since they control everyone, while public authorities only use spot tests. Skandinavisk Barnemisjon, which is a Swedish fundraising organization operating in the Scandinavian market, emphasizes that the certification remains voluntary in order to avoid suffocating smaller local initiatives. The participants at the workshop did agree that if there was introduced any new common regulation or certification scheme it is important that it replaces existing requirements rather than imposing any additional requirements on the fundraising organizations.

Is well known brand a substitute for certification within fundraising?
Brands do also play an important role in the fundraising market. The market for fundraising is highly heterogeneous. Whereas some NGOs, like the Red Cross/Red Crescent or Unicef, may have a strong brand which makes certification redundant, others that are less known and rather small may have a strong need for certification which can confirm their trustworthiness. In contrast to certification, which none of the organizations consider as an important means to enter foreign fundraising markets, two thirds of the respondents in the web survey consider a strong brand as important for succeeding in a foreign market.

What is the potential for service exports?

Many of the NGOs located in Nordic countries are large players with fundraising activity in many countries. Fundraising is hence also performed across borders, most commonly by local established offices (Mode 3) or by call centers or web pages operating across borders (Mode 1). Two thirds of the respondents in the web-survey report that they have international activity. While most of them export their fundraising activity trough locally established fundraising offices, one fourth report that they also approach potential donors in other countries by other means.

As mentioned before none of the certified organizations regard entry to foreign markets as an important reason get certified. This is natural as all of the existing certification schemes are national in scope. The only existing international scheme is the education of professional fundraisers for which EFA, the European Fundraising Association, function as an accreditation body giving out accreditation to institutions which offer a qualified educational program. While Sweden and Denmark have already implemented the education, the Norwegian school of management BI is starting a program in autumn 2010.

ICFO – the association of national monitoring agencies within fundraising - is currently working on making the national certification schemes more harmonized and transparent across countries. In 2009 ICFO made a survey on each of the national certification bodies' homepages for which they recommended that the organizations should present an English summary of basic information concerning their organization, placing a logo which identifies them as ICFO members and providing standardized descriptions of their "certified" organizations or access links to their annual reports.

ICFO has also developed a set of international standards for good governance and management for organizations which raise funds from the public for public beneficial purposes. The standards cover the following five areas of activity:

1. Membership and responsibilities of the governing body
2. Fulfilment of public benefit goals
3. Fiscal control, management and reporting
4. Fundraising practices
5. Provision of public information

Sweden and Norway are the only Nordic members of ICFO, represented by their respective monitoring agencies Svensk Innsamlingskontroll (SFI) and Innsamlingskontrollen in Norway. Finland, Iceland and Denmark do not have a dedicated monitoring agency. Although the criteria of the Norwegian and the Swedish schemes are not identical, they both follow the ICFO setup. In Denmark and Finland these criteria are to a certain extent controlled through national regulation and ethical guidelines provided by their national interest organization.

The sample in the web-survey is split in half among those who agree that there should be more international standards within fundraising, and those who disagree. We find however an interesting pattern showing that nearly all of those who are certified and find the subject regarding national and international standards relevant, agree on the statement that there should be more international standards within fundraising. While none of those who disagree with the statement actually consider the subject of international certification relevant. All of the companies that are certified and have or plan to have international activity agree that there should be more international standards. This is a clear indication that internationally orientated companies who deal with certification would prefer international to national standards.

One of the intra Nordic fundraisers report in the survey that they certify according to all the Scandinavian certification schemes, that is; the Swedish 90-konto, the Norwegian Innsamlingsregisteret, the ISOBRO indsamlingsetiske retningslinjer in addition to a certification called INGO. The same respondent also emphasized that there should be more international standards within fundraising.

This pattern was also emphasized by the fundraising organizations participating at the workshop. The organizations are interested in coordinated schemes so that the criteria are the same across countries. The positive attitude is however contingent on that any new international scheme would not add any additional requirements on the organizations. BOS Danmark argued at the workshop that it is important to harmonize schemes and criteria across countries.

Through the internet it has become possible to find niche donors in different countries, this is however difficult without any “seal of approval” to prove the organization’s legitimacy. In Sweden for example the Swedish interest organization FRII provides a warning list of all fundraising organizations operating in their national market without 90-konto. Hence, although you are not required by law to have 90-konto, you are de-facto required to have it.

With each country having their own seal with different criteria, the costs of learning and adapting the different criteria function as a prohibitive red-tape barrier to operate internationally for smaller organizations. With harmonized schemes across countries it will be easier to expand internationally also for smaller organizations.

How important is the certification body?

The majority of respondents report that they find the quality of their certification body satisfactory or very good, while two of the respondents do not have any opinion regarding the quality of the certification body. There seems to be no pattern regarding the degree of satisfaction with the certification body and the country for which the organization operates or the type of certification body.

Future prospects for certification?

Despite that many of the fundraising organizations are positive towards international harmonization of certification schemes, it appears from the workshop and telephone conversations that national associations are skeptical towards creating an international scheme.

The reluctance towards international harmonization seems to stem from the fear that one would end up with more administrative burdens on the organizations, that the existing national certification schemes and regulations are functioning well, and that European or international harmonized criteria would not be suitable for specific national conditions. The subject is also partly looked upon as unrealistic as all countries have their own unique system for controlling fundraising for socially beneficial purposes. It would be very difficult to coordinate on a common certification scheme and regulations.

In general the attitude towards an internationally harmonized certification scheme seem to depend on whether the organization wants to expand internationally, or if it is more concerned about protecting current market shares. Those who want to operate internationally are generally pro more harmonized schemes, while those operating nationally prefer national schemes.

7. Main findings of the study

Views on certification depend on internationalisation ambitions

The service providers' perspectives on certification and the role certification may play in cross-border trade depend on their outlook on internationalisation. Service providers with domestic market ambitions differ in their perspectives on the types of certification relevant for them, as opposed to companies with ambitions to trade in the international arena.

Accommodation services, and to a certain extent also fund-raising organisations, are already highly internationalised service providers, and market failure due to factors such as asymmetric information is less pronounced within these sectors.

However, fund-raising is an example of an activity which could in theory be carried out across borders using the internet. The fact that nearly all international activity is carried out via larger organisations which establish local offices abroad shows that this market is associated with information asymmetries. The same applies to e-learning. Despite the fact that the technology exists to export them across borders, significant international trade in such services has so far failed to materialize.

Application of certification in the service sector

Certification is always related to a standard or specification which may be applied on an international or national basis. Certification criteria may be related to the service itself, to processes related to the production of the service, the system used by the service provider (such as a management system), or the skills of the persons providing the service. Some certification schemes represent combinations of several of these factors.

The increased use of certification when asymmetric information is more pronounced. The need for certification increases with the presence of asymmetric information. Elderly care service providers have professional customers (municipalities) that can deal with asymmetric information, thus reducing the need for certification. The customers of accommodation services and the donors to fund-raising organisations normally exhibit a less professional relationship to these types of services. As expected, certification is more important within these sectors.

Certification as a substitute for regulation. It appears that certification often acts as a substitute for regulation, and vice versa. Whether the one or the other dominates in the sector seems to depend on historical factors. In our online survey, the majority of service providers preferred voluntary certification to government regulation.

Different types of certification within elderly care services and accommodation services. Although accommodation services and nursing homes for the elderly have many similar characteristics, it is interesting to note that these sectors employ contrasting types of certification. While the quality management system certification ISO 9001 is the most common certification among providers of elderly care services, this is seldom used in the hotel trade. Furthermore, environmental certification is popular among providers of accommodation services, but is only rarely employed by elderly care service providers.

Provider-customer relationship as an explanatory factor. Elderly care services are closely related to health services, which generally exhibit very low levels of error tolerance. This, in combination with the extended customer-provider relationship between the elderly care services provider and the municipality, makes the quality management system certification more important to the municipalities than to customers who only infrequently purchase accommodation services. Moreover, because the costs incurred by hotel customers on switching to another service provider are lower than for the municipalities procuring elderly care services, environmental certification is more important to the hotels because it can act as an incentive in the battle to win new customers.

Star classification and environmental certification. As many as 70 per cent of hotels report that they have some type of certification or classification. Star classification and environmental certification are the most frequently employed. There exists a significant variation in the use of certification schemes among the Nordic countries. While most providers of accommodation services in Denmark and Sweden are star classified, the scheme has not become established in Norway and Finland.

Star classification – a government initiative. The star classification scheme has emerged in response to initiatives from the state authorities who have emphasised the need for a quality assessment system. Currently, a similar public initiative is being undertaken in Finland, but the dominant market players are reluctant to reject their own established systems in favour of implementing the star classification system.

Promotion of quality is the main reason for seeking certification
Service providers report that the most important reason for seeking certification is that a certificate promotes the quality of their services to their customers, combined with the fact that their customers prefer services from certified providers.

Certification may also have an indirect quality-enhancing effect on the services because the providers become incentivised to improve their services in order to comply with the certification criteria. Few service providers consider international certification to be an important tool for international expansion, although it appears that national schemes are regarded as acting to inhibit trade abroad. Certification - a means of promoting quality and gaining customer trust in domestic markets. Rather than a tool for promoting quality to potential foreign customers, certification is primarily used to gain trust and to promote quality in domestic markets.

Harmonised international schemes are preferred by internationallyorientated service providers. Service providers that are not certified and which do not consider the issue of international standards relevant, are sceptical towards international standards. Service providers with an international outlook and which are used to dealing with certification welcome internationally harmonised and coordinated certification schemes.

The ISO 9001 is the most popular certification scheme among service providers. ISO 9001 is a certification of management systems and can be applied by service providers within all sectors. The ISO 9001 has a unique position in the market and is virtually free of competition from other certification schemes. Service providers that enjoy ISO 9001 certification are generally satisfied since this certification both provides marketing benefits and serves to enhance service quality.

International certification schemes: No quick fix for international expansion. It is common for service providers in all sectors not to regard certification as an important part of their international expansion strategy. This also applies to internationally established certification schemes such as the ISO 9001 and the star classification scheme.

National certification schemes work as non-tariff barriers inhibiting trade in services. Internationally-orientated service providers tend to find that the widely differing national certification schemes act as a more important impediment to international trade than harmonised certification schemes are promoters of said trade.

Environmental certification promotes value and costs savings. Environmental certification is perceived as an efficient way of promoting the values of a hotel to its customers. There is also a financial benefit in that the hotel saves on energy costs and generates less waste. There are indications that customers are less concerned about the specific environmental certification scheme that the company employs, since all such schemes provide the same general signal to the customer that the service provider is concerned about the environment.

Clear potential for the coordination of environmental certification schemes. Many of the competing environmental certification schemes such as the Flower, EMAS, the Swan and Eco-Lighthouse are linked to public authorities. This should indicate that there is scope for international coordination.

Costs related to certification

The use of a third party to carry out conformity assessments as to whether or not a service provider is in compliance with a given set of specifications generates increased service provision transaction costs. Normally, costs are also incurred by the service provider in adapting their services, processes, routines or personnel in order to achieve

compliance with the certification criteria. Nevertheless, few service providers emphasise costs as an important factor in determining which type of certification they seek, and some even regard certification as an investment. However, certification costs are disproportionately larger for smaller service providers, and competing certification schemes often exhibit widely differing prices.

Certification costs - a less important factor. Few service providers, regardless of sector, emphasise that costs are a significant factor when selecting a certification scheme within their domestic market. This is partly because many of the schemes are operated on a non-profit basis, in many cases by the industry organisation itself, but partly also because certification is looked upon by some as a long term investment. The latter attitude applies particularly to the certification of a service provider’s quality and environmental management system.

Significant price differences among environmental certification schemes. Considerableprice differences have been identified between environmental certification schemes within the Nordic countries. One accommodation services provider reports that they cut auditing costs significantly by switching schemes. However, the schemes were found to exhibit very similar criteria and auditing processes.

Certification is financially more challenging for SMEs. Respondents from all sectors, and elderly care service providers and fund-raising organisations in particular, point out that certification tends to be relatively more financially challenging for the smaller service providers. This is a problem because it is the smaller service providers that are often in much greater need of tools such as certification to promote quality than are larger providers with a well-established brand. In situations where SMEs intend to operate in international markets with unique national certification schemes, the costs incurred relative to turnover disadvantage is multiplied.

Relation between service providers and certification bodies

In order for a certification to build confidence in the market, it is important that the conformity assessment made by the third party (the certification body) is trustworthy. This study shows that service providers generally regard the quality of the certification body as good, and that industry associations are the most frequent channel by which the service providers learn about certification.

Industry associations are the most common promoters of certification. Industry associations play a very important role in promoting certification schemes to the service providers. In addition to industry associations, we find that the media, customers, competitors and associated companies also provide information channels by which service providers learn about certification. Except in cases where the industry association also operates as a certification body, very few of the service providers report that they learned about the certification scheme from the certification body itself.

Certification schemes operated by national industry associations may inhibit the internationalisation of certification schemes. National industry associations are generally concerned with enhancing and promoting the quality of their members' services, and many certification schemes are operated by such associations.

However, this means of organising such schemes can create an obstacle inhibiting the internationalisation of the schemes in question. In cases where a national industry association is not interested in establishing a scheme in its own country, due perhaps to the dominance of a few major domestic players, other such associations, also operating the scheme in their respective home countries, will also lack a mandate and the incentives to expand their certification activity into other national markets. On the other hand, profit-oriented certification bodies will normally have the incentive to introduce a certification scheme into new markets provided that the demand for certification is sufficient to make the introduction profitable.

High degree of satisfaction with the quality of certification bodies. Overall, there seems to be a high degree of satisfaction with certification bodies among service providers, regardless of whether the body is an independent foundation (fund-raising), an industry association (accommodation services/fund-raising organisations), or commercial organisation (elderly care).

Recommendations

Coordinate measures from public authorities to avoid proliferation of national schemes. From the perspective of the internationally orientated service provider it is clear that international harmonized certification schemes are preferred to national schemes. Compliance with unique national certification schemes involves extra costs for service providers who want to expand their activity into new markets. For those service sectors for which certification is a relevant measure, we believe that national authorities should facilitate coordination on international conformity assessment arrangements in order to avoid proliferation of national certification schemes which in turn ends up as impediments to trade. Facilitating measures could for example be made by establishing and/or sponsoring broad international level forums where existing schemes can be coordinated, e.g. international standardization committees. This type of encouragement is also in line with the Service Directive article 26 (3). We believe that public authorities are best suited to play the role as coordinators as they can also incentivate voluntary coordination by setting up community level regulation as an ultimate alternative for the industries.

Coordination measures from public authorities on environmental certification. Several of the certification schemes such as the Flower, EMAS, the Swan and Eco-Lighthouse are related to public authorities. As the schemes are often perceived by the service providers as competing, rather than complimentary, the existence of multiple schemes is merely a source for unnecessary confusion among consumers. We believe that there should be a potential for the relevant public authorities to coordinate on a single international scheme for environmental certification.

Cooperation with national industry associations. It is an interesting finding that national industry associations are the most frequent channels for information on certification. This follows naturally as national industry associations are concerned about signaling the quality of their members, and many certification schemes are also operated by the national industry association. Their agenda is determined by the strategic interests of their members, which in turn may or may not be in alignment with the social planner's interest to maximize welfare for all of stakeholders in society. In some cases industry associations may have protectionist and/or conservative interests which are in conflict with the public good. Hence, authorities should consider playing a more proactive role going into a dialog with the national industry associations regarding whether there is a need for certification, and in turn, how it could be coordinated with existing schemes in other countries.

Appendix

Table 3: List of workshop participants (Copenhagen 12th of March 2010)

Organisation	Representative	Professional title	Activity	Nationality
BOS Danmark	Astrid Engberg	Head of general office	Fundraising for socially beneficial purposes	Denmark
CARE Danmark	Sisan Bové	Head of fundraising	Fundraising for socially beneficial purposes	Denmark
Suomen lasten ja nuorten Säätiö (Children and youth foundation)	Eila Kauppinen	CEO	Fundraising for socially beneficial purposes	Finland
FRII	Maria Ros-Jernberg	Head of communication/education	Industry association Swedish fundraisers	Sweden
Fulfilment AS	Anders Ihler	Head of marketing	Fundraising for socially beneficial purposes/telemarketing	Norway
ISOBRO	Mette Holm	Head of general office	Industry association Danish fundraisers	Denmark
Menon Business Economics	Leo Grünfeld	Head of research	Research	Norway
Menon Business Economics	Gjermund Grimsby	Senior researcher	Research	Norway
Skandinavisk Barnemisjon	Harry Haraldsen	Bookkeeper/Secretary	Fundraising for socially beneficial purposes	Norway
Svensk Innsamlingskontroll	Eva Birath	Kanslichef	Certification body for Swedish fundraisers	Sweden

Table 4: List of interviewees

Company name	Service sector	Natinality
Aleris Ældreservice A/S	Elderly care services	Denmark
Aleris Äldreomsorg AB	Elderly care services	Sweden
Forenede Care AB	Elderly care services	Denmark
Norlandia	Elderly care services	Norway
Carema Äldreomsorg 1 AB	Elderly care services	Sweden
Hoitokoti Matinkartano	Elderly care services	Finland
Almega/Vårdföretagarna	Elderly care services	Sweden
NHO Service	Elderly care services	Norway
HOTEL TERMINUS AS	Accomodation services	Norway
Sørup Herregård	Accomodation services	Denmark
HORESTA	Accomodation services	Denmark
NHO Reiseliv	Accomodation services	Norway
NHD	Accomodation services	Norway
Finnish Hospitality Association	Accomodation services	Finland
FRONTER	E-learning services	Denmark
the University of Akureyri	E-learning services	Iceland
NTNU	E-learning services	Norway
Netbaseret AkademiUddannelse	E-learning services	Denmark
NKI Nettstudier	E-learning services	Norway
SVERD	E-learning services	Sweden
NFF	E-learning services	Norway
Association of Finnish eLearning Centre	E-learning services	Finland
Rockway	E-learning services	Finland
Norges innsamlingsråd	Fundraising	Norway

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