

ROLE OF SELF-REGULATING ORGANISATIONS IN THE SYSTEM OF QUALITY ASSURANCE IN WORKS AND SERVICES

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The authors of this article examine the current state of quality assurance in work performance and services rendered through the institute of self-regulation, determine their shortcomings and offer various ways in which they can be improved.

Federal Law of the Russian Federation on Self-Regulatory Organisations has been existing for about 10 years and there is now a need for an assessment of its role and its main objective - the improvement of quality in work performance and services rendered.

Having defined the concept of quality in work performance and services rendered, the authors established that a high-quality performance can be obtained with the compliance of three groups of local and other instruments.

The conclusion is made that the further development of the institutes of self-regulation must foresee as a key element the following: an increase in the quality of the management's and workforce's professional training; an introduction of a mechanism for the assessment of professional education; a formation of a system for external control and professional qualification assignment.

Keywords: self-regulation, quality, performance standard, work, service.

1. INTRODUCTION

1.1 Introducing the Problem

Introduced in 2007 into Russia's modern economic system, the institute of self-regulation, had a number of goals, the most important being the one specified in article 2 of the Law on Self-regulation, i.e. the improvement of quality in work performance and services rendered. This task was to be settled by self-regulating organisations themselves (hereinafter referred to as SROs) through the development and establishment of standards and rules of conduct for various activities, as well as through the arrangement of control of compliance with such standards and rules by SRO members. Moreover, it was assumed that the partial handover of some of the controlling functions from the state to SROs would lead to the development of public-private partnership and other mechanisms of civil society. These views were backed by both researchers of the economy and civil law (Samoylov & Kazinets, 2006; Tikhomirov, 2005; Barzykin, 2008).

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Despite the clear appeal of the idea of the business community and other professionals self-regulating their activities, researchers have also pointed out several shortcomings in SROs. Thus, V.A. Kepov and P.A. Tkachyov specify that "...being voluntary and uncoerced, the self-regulatory system cannot always be effective" (Kepov and Tkachyov, 2011). Thus, the state has an important role under such circumstances, since in cases of conflict of interest between various groups in the self-regulating system, it can prompt changes, including major ones, which can lead to the expansion of government participation in the regulation of specific issues, as well as the use of new forms of self-regulation in various spheres of activities (for instance, tourism, healthcare, etc.) (Kuzakhmetova *et al.*, 2016; Sitdikova *et al.*; 2015, Sitdikova & Shilovskaya, 2015).

1.2 Exploring the Importance of the Problem

After an eight-years' period of existence while the law on self-regulation was applied to Russian business and professional community, whether on a mandatory basis, or a voluntary one, there is now a need for an assessment of its role and its main objective - the improvement of quality in work performance and services rendered.

Certain aspects of this issue were examined in the articles of the following authors: Barzykin Yu.V., 2008.; Kepov V.A., Tkachyov P.A., 2011.; Kolesnikov S.N., 2015; Samoylov A.S., Kazinets L.A., 2006.; Kirillova *et. al.* 2016, Sitdikova *et al.* 2016, Shilovskaya *et al.* 2016, Tikhomirov Yu. A. 2005; Volkova *et. al.* 2015, Shamarova G., 2012.

1.3 State Hypotheses and Their Correspondence to Research Design

- 1.3.1. The concept of quality in work performance and services rendered has been defined as a certain collection of features, both of a final product (which is a result of work performance or services rendered) and of the production process, and subject to compliance with standard settings and customer's expected demands.
- 1.3.2. In order for SRO to avoid a formal approach to controlling its members, it is recommended to set a maximum limit on their number, based on a reasonable figure and on their ability to carry out their functions. The mechanism can be made more efficient by the introduction of laws requiring SROs to be formed not only on an industry principle but also on a regional one.

2. METHOD

In conducting this research, the authors have been guided by the following general scientific and private-legal methods of study: legal-historical, formal-juridical, legal-comparative, sociological and other methods. The main method applied has been the structured-systematic one that has allowed identifying the role of self-regulating

organisations in the system of quality assurance in work performance and services rendered.

The combination of the legal-historical method with the legal-comparative one has allowed to identify the specific impact exerted by historical conditions on the development of Russian self-regulation in the system of quality assurance in work performance and service rendering.

The formal-juridical method has allowed analysing the legal norms that regulate the category of quality as a whole and the quality of works performed and services rendered by self-regulating organisations in particular.

The sociological method has served as the basis for the majority of the findings, proposals and recommendations, including the ones on legislative improvements, which take into account the specific information received from: official publications, court materials, Internet resources, standards, legal case-studies, and mass media.

The structured-systematic method has given the authors the possibility to study the criteria of quality assurance in the works performed and services rendered by self-regulating organisations.

3. RESULTS

Having defined the concept of quality in work performance and services rendered, it was established that a high-quality performance can be obtained with the compliance of three groups of local and other instruments: 1) technical regulations; 2) international standards from ISO group; 3) business and professional conduct rules. Properly developed, clear and real business and professional conduct rules blended with performance standards allow obtaining a high-quality work performance or service rendered.

It has been established that the right to develop common standards and rules for mandatory SROs is exercised only formally, the same also being true for the development of the standard rules for conduct of various SRO activities. In this regard, it can be concluded that SROs have been virtually removed from influencing the business and professional standards (which ensure quality in work performance and service rendering) as the function of performance standard development was assigned to the National Industry Associations, which did not take into account the regional peculiarities (demands) in work performance or service rendering.

It has been found that when ISO international standards are used, SROs do not control the rules made by their local members, therefore, the assessment of the quality of work performed (services rendered) is made by a person, who is not related to the assessment process but affects the results of quality assessment.

Further development of the institutions of self-regulation must foresee as a key element the following: an increase in the quality of the management's professional training and workforce's professional training; an introduction of a

mechanism for assessment of professional education; a formation of a system for external control and professional qualification assignment.

4. DISCUSSION

First of all, one must look at the concept of 'quality' itself. It is widely agreed that quality can be defined as a certain collection of features of an object, which complies with standard settings and the customer's expected demands (Kirillova, 2016, Shilovskaya *et al.* 2016). In this regard, it is important to note that both a final product (result of the work performed or services rendered) and the production process itself may be regarded as such an object (Kolesnikov, 2015).

Therefore, when the institution of self-regulation is settling the issue of quality improvement in work performance and services rendered, it should ensure that SROs exert an influence on the whole process of work performance and service rendering. Such an impact should be ensured through three objectives: development and implementation of business and professional standards and rules; control of compliance with them of those SRO members, whose direct duties include work performance and service rendering; and creation of a system that would ensure a high professional level of management and workforce who execute work and services.

The first objective identified as development and implementation of standards and rules of conduct governing the activities of SRO members and exerting an impact on the quality of work performance and services rendered may be divided into three elements. The first and main group includes the industry performance standards that direct the process of work performance and services rendered, so-called technical regulations. They establish the common goals and main principles of any particular kind of activity. For instance, in the construction industry these are different building standards and sets of regulations, in the valuation business - federal appraisal standards, in the audit business - federal rules (standards) of audit, and so on. If there are any international standards recognized in the territory of Russia, then the industry standards should consider them when regulating the activities.

Despite the fact that the function of development and approval of professional and business standards is assigned to SROs at legislative level (clause 2 of article 4 of the Law on Self-Regulation), as a rule, the industry standards are developed at the federal level. For instance, the federal rules (standards) of audit activity are approved by the Ordinance of the government of the Russian Federation. The Federal appraisal standards, the Federal standards for arbitration managers' activities and for self-regulating organisations of arbitration managers are developed under the supervision of and are enabled by the federal executive body – the Ministry of Economic Development of Russia. The development of performance standards at such a high level is explained by a high degree of state's interest in the results of

certain activities. But at the same time SROs are entitled to develop and approve for themselves the industry standards of the construction industry (engineering surveys, architectural and construction design, constructions, reconstructions and capital repairs of capital structures), despite a high probability of danger to human life or health, or to the property of various subjects, according to clause 2 of article 55.5 of the City Planning Code of the Russian Federation. The study of SRO's official documentation in the construction industry reveals that this function is actually performed by the National Associations of Building SROs. The existing legislation (clause 4 of article 24 of Law on Self-Regulation) concedes the transfer of one of the main functions of SROs - the right to develop unitary standards and rules for the SROs. However, the effectiveness of realising such a right is still problematic. For instance, research conferences are regularly held in Saint Petersburg and Leningrad Region, where issues of SROs' role in the improvement of construction quality are discussed in considerable detail. A speaker at the XII conference held in November 2014, noted that a great deal of standards were developed and a huge number of rules adjusted during the years after the introduction of the institute of self-regulation in the construction industry. However, it turned out that nobody needed such standards and rules, since SROs might have formulated the same standards and rules themselves. It is difficult to imagine a more expressive assessment of the position of self-regulation in the construction industry.

The above allows drawing the conclusion that mandatory SROs are virtually removed from fulfilling their main function, influencing the quality in work performance and services rendered - the function of the development of various performance standards and rules, and only formally perceive the standards developed for them, and approved by their members at general meetings.

A rather different story occurs when the SROs are formed on a voluntary basis. For instance, SRO 'Liftservice' developed standards and rules of conduct of its registered activities in full conformity with the provisions of the Law on Self-Regulation. Nevertheless, the SROs related to lifting mechanisms (vertical transportation) have presently formed the National Union of Elevator SRO that has already started to develop its own professional standards. 'The Interregional Guild of the Housing and Utility Management Companies' also in accordance with the Law on Self-Regulation has developed its own professional standards for management companies, as well as a system of voluntary certification of management company's works and services. Therefore, SROs formed on a voluntary basis, as a rule, develop their own performance standards. Nevertheless, the practice of transferring the functions of standard development and approval to the National Associations is typical of such SROs too.

The above allows concluding that the practice where SROs, whether formed mandatorily or voluntarily, transfer their function in connection with developing

performance standards to National Industry Associations, has become widely accepted in our country. Despite the attractiveness (and strong validity) of this idea, it should be noted that such a practice virtually removes SROs from exerting any influence on the development of business and professional standards, which ensure quality in work performance and services rendered. Moreover, it should be pointed out that the current charters of the National Associations of SROs do not stipulate the establishment of SRO rules and standards that would identify any additional heightened requirements to their members' activities, compared to the requirements set forth in the standards of the National Industry Associations of SROs. It should also be considered a shortcoming that the standards developed by the National Associations do not account for regional peculiarities (demands) in work performance or service rendering.

The next group of standards which has an impact on the quality of work performance and services rendered are the standards of the ISO group - international standards containing requirements to the system of quality management of organisations and enterprises and adapted to the Russian present life. The requirements established by ISO standards identify a set of measures, fulfilment of which provides not to fail the consumers and business partners too, provides not to fail consumers but business partners too, since such standards guarantee correct and timely work performance and services rendered, as well as control at every stage of realisation. Implementation of such standards into everyday activities of organisations and enterprises allows almost guaranteeing high-quality work performance or services rendered.

ISO standards have become widely used in the activities of most legal entities-members of SROs. SROs can establish their own requirements for members regarding certificates of quality of management for the works performed or services rendered. For instance, SROs are granted such a right in conformity with clause 12 of the article 55.5 of the City Planning Code of the Russian Federation. The duty to implement ISO standards in the activities of SRO members may arise as a consequence of realisation of such a function assigned to SROs in clause 1 of article 6 of the Law on Self-Regulation, as certification of the results of the goods (works, services) produced by the SRO members.

One particular feature of this group of standards is the failure to apply them to certain professional activities, since the latter perform works or render services in an individual manner. However, the analysis of documents of some organisations, which provide valuation services and act as SRO members, shows that approaches to quality assurance, stipulated in the ISO standards, are implemented in the valuation activities too. For example, the analytical centre 'Business Expert', which renders valuation services, has developed and implemented a quality control system for valuation reports. A thorough study of this system shows that the process of assessing an object is divided into three stages and yet there are serious breaches

of the Law on Valuation Activity and Federal valuation standards, namely the principle of valuator's independence. This system comprises such breaches of valuator's independence as the identification of the source of information, which is required for valuation, not by a valuator but by a person responsible for customer support. A drafted valuation report is checked by another employee in a mandatory way and may be returned to the valuator for improvement. Hence, there is a clear influence of persons, who are unrelated to the valuation process and the valuation results. Such breaches may also be detected in other organisations rendering valuation services and developing their own ISO-based quality control systems. It should be stated that in this case SROs do not control writing local rules of their members.

Generally, it should be mentioned that the use of ISO standards in the activities of SRO member organisations significantly improves the quality in work performance and services rendered. In this regard, it is necessary to implement a system which ensures control over correct use of the ISO standards and allows excluding the formal obtaining of certificates of compliance. Such a system may be developed by the National Associations of SROs, formed on the basis of their industry activities.

The third group that influences quality is the rules of business and professional ethics, and other local acts aimed at quality assurance. Functions of their development are also vested on SROs, however, in some cases model rules can be drafted at the federal level, for instance, the Rules of Valuator's Professional Ethics. One question might arise: how can a code of conduct influence the quality of work performance or services rendered? An answer might be obtained if we look at the concepts of professional ethics. From our point of view, the most appropriate definition is provided by G. Shamarova, who considers it to be a combination of moral standards, which determine a person's attitude to its professional duty (Shamarova, 2012). A high level of ethical conduct allows obtaining: a high-quality system of decision making; saving the consumption of resources; fewer conflict situations between persons interacting in the regulated sphere, and as a result, a boost in trust in business and professionals from consumers and from various public authorities established to control such subjects.

Thus, properly developed, clear and real rules of business and professional ethics blended with performance standards ensures a high-quality work performance or services rendered.

No matter how well and professional the standards and rules are drawn up, if they are not followed by SRO members it is impossible to achieve a permanent quality effect in the members' activities. SROs duty to control their members is written in article 9 of the Law on Self-Regulation. An inspection to check that SRO members comply with the standards and rules is carried out planned as well as without warning (random check). One way or another, all SRO members are

subjected to checks. However, an analysis of data placed on official web-sites of several SROs shows that planned checks are carried out as a mere formality, based purely on an examination of provided reports. Such a situation can be explained by a number of objective reasons. The Law on Self-Regulation has a minimum threshold on the number of SRO members (clause 3 of article 3 of the Law on Self-Regulation). The maximum number of SRO members is not limited and, consequently, the SRO members may count several thousand members. This fact is further aggravated by the requirements of the Law on Self-Regulation, where a SRO is formed based on the industry principle (clause 1 of article 3 of the Law on Self-Regulation). As a result, SROs accept anyone who wants to become a member and has passed only the minimum membership requirements so that they can form the biggest possible compensation fund. Thus, the entities separated by thousands of kilometres become SRO members. It is not possible to exert effective control under such circumstances. A SRO in the construction industry may serve as an example in this regard. The 2016 inspection plan of members pertaining to the Non-Profit Organisation MOS SRO foresees 602 checks. Considering that SRO's inspection rules allow only document checks, without on-site visits (provided that documents raise no doubts), no less than 50 checks per month should be carried out, each of which may last up to five days. It is hard to imagine how much time is provided for examining and approval of reports by a specialised control body composed of three members, one of which is the general director of the organization. Another reason why SRO inspection of its own members carries a purely formal character is that the procedure itself is underdeveloped. In this regard, it is necessary to increase the role and responsibilities of authorised federal executive bodies supervising their activity, as well as that of the National Associations of SROs, which is responsible for organisational and methodological support of SRO activities.

In order for SROs to avoid a purely formal approach in controlling their members, it would be advisable to set a maximum limit to the number of SRO members, based on a reasonable number and their ability to carry out SRO functions. Such limitations may be set by both the federal laws governing their activities, by the standards (rules) developed by the authorised federal executive bodies, or by SRO membership rules at the level of National Associations. The mechanism can be made more efficient by the introduction of laws requiring SROs to be formed not only on the industry principle but also on the regional one.

The third component guaranteeing high-quality of work performance or services rendered has been identified as the creation of a system which has a highly professional management and workforce (Sitdikova, 2016). SROs can support this system by organising professional training programmes, professional valuation of worker-members of SRO or certification of goods (works, services) produced by the SRO members (clause 1 of article 6 of the Law on Self-Regulation). The Ministry

of Education and Science has published a letter explaining that the Law on Self-Regulation entitles SROs to either have a structural subdivision running professional training programmes, or to engage other organisations for the purpose of workers' professional training (Letter of the Ministry of Education and Science of Russia on Legislative Interpretation no.05-1080 dated the 09th of August 2013 // Consultant Plus). Taking into account the cost-based nature of this recommendation it is unlikely to be realised by SROs themselves. Such a function might be fulfilled by the National Associations of SROs. Here the Academy of Professional Training of the National Association of Builders, which was founded in 2015, can serve as an example.

CONCLUSION

Therefore, further development of the institutes of self-regulation must foresee as a key element the following: an increase in the quality of the management's and workforce's professional training; introduction of a mechanism for the assessment of professional education; formation of a system for external control and awarding professional qualification.

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