

Quality Assessment Problems of Agricultural Centres' Services

Mg.oec. Gunta Grinberga

Latvia University of Agriculture

2 Lielā Street Jelgava LV-3001 Latvia

Abstract

The implementation of the EU common agricultural policy in Latvia has resulted in both positive tendencies - modernization of farm-stead, optimization of agricultural production and landscaping of the countryside; and ambiguity, since farmers have to rearrange the former farm management according to the EU standards and requirements, exposing their farms to increasing bureaucracy burden, which discourages almost every farmer without regard to one's scale of production.

The Latvian Rural Advisory and Training Centre is the main provider of advisory services facilitating rural development by improving the professional and economic knowledge of rural entrepreneurs.

The article presents analysis of the quality assessment problems of rural advisory services in Latvia.

Key-words: rural advisory centre, advisory services, quality expectations.

Introduction

Important turning point for Latvia was its accession to the EU in 2004, which resulted in adopting the EU normative acts, inter alia requirements regulating agricultural activities. At the same time support mechanisms were changed with establishing single area payments' structural measures. One of the claimed basic benefits in the period before and after the accession to the EU was increasing support which would be donated to Latvian farmers and following growth of economics and prosperity. Consequently that was implemented according to the first programming period 2004-2006 main priorities: uptake support appropriations assigned by the EU and organize agricultural development to integrate successfully in the EU common agricultural policy.

The second programming period requires continuing facilitation of rural development according to the country's rural development strategy. Therefore, the Ministry of Agriculture has prepared middle term political planning document "Latvia Rural Development National Strategy Plan 2007-2013". If in the period from 2004-2006 the main strategic purpose was to acquire the EU financial support, then in the second programming period 2007-2013 rural development itself takes the central role in the Rural Development Strategy, however development of agriculture, as industry of national economy, providing production of agricultural products and provision of its related service, has become less important and less prior.

The most hindering factors for Latvian agriculture today are ineffective information exchange among rural entrepreneurs and state institutions, lack of knowledge about the latest production methods and technologies, management skills and limited access to the capital. Consequently, lack of access to technical expertise hinders Latvian entrepreneurs to become equivalent and respectable partners in producers' coalitions.

Access and availability are crucial factors in agricultural industry like in any other industry of today. Unlike geographical market of the last industrial period, which was formed by independent and autonomous traders and purchasers who were involved in discrete and independent deals, the age of access provides sophisticated, interdependent communication

networks, providing entrepreneurs with possibilities to achieve their targets unitedly joining their forces. Currently suppliers and consumers establish contacts in order to exchange both their material and intangible resources – information and experts' opinions, since they recognize that joining forces will ensure greater opportunities for their enterprises to achieve their targets (Rifkin J., 2004).

The sociologist Manuel Castell from California university in Barclay considers that there will be five main networks in the future entrepreneurship:

- Suppliers' networks, where entrepreneurs will agree on accomplishment of a particular order or delivery of raw materials;
- Manufacturers' networks, where companies will unify their production capacities, financial resources and human resources in order to offer wider range of products and services, expand their geographical markets and reduce possible risks;
- Consumers' networks, which will connect manufacturers and distributors of goods with marketing channels;
- Standard coalitions, which will amalgamate as many one sphere enterprises, as possible;
- Technological cooperation networks, which will provide enterprises with possibilities to exchange with valuable knowledge and get acquainted with experts' opinions in order to analyze product lines and promote their development (Castells M., 1996).

Exchange of information and expertise is still a serious drawback for the sustainable development of Latvia agriculture, as is regularly complained of by different profile farmers' associations and headlined in mass media.

Lack of contemporary knowledge in business area, area of agriculture, production engineering and lately area of legislation has given a push for rural entrepreneurs to start up studies at Latvia University of Agriculture, become customers of the Latvian Rural Advisory and Training Centre, and attend different courses and studies available in their parishes, become members of associations representing interests of rural entrepreneurs, as well as look for other opportunities where they could acquire knowledge about topical issues.

The Regulation No.1783/2003 of Council of Europe defines that all the EU member states, including Latvia, have to establish their household advisory services' system. This is necessary to help the farmers to meet modern and high quality agricultural standards related to environment and animal protection, plant protection and food harmlessness, animal well-being and good agricultural and environment conditions (Regulation No.1783/2003 of Council of Europe). Consequently, on 9th May 2005 European Agriculture Guidance and Guarantee Fund approved National program „Establishment of rural advisory and farms' extension service” and its project „Establishment of rural farms advisory system” (furthermore -Project). In Latvia the recipient of the project finance was the Latvian Rural Advisory and Training Centre (furthermore – LLKC). The total amount of the project was Ls 2 151 756 (Latvia Rural Development Plan for Implementation of Rural Development program 2004-2006).

LLKC with its 26 regional offices is the largest provider of rural advisory services in Latvia countryside. Of course this organization was chosen for the implementation of the Project due to its durability, accumulated experience and good network of regional offices. Rural entrepreneurs can receive there help in problems connected with agricultural and non-agricultural entrepreneurship, including project development for receiving of support from the EU structural funds, applications for loans to be received from banks and compiling of business plans. The direct purpose of the Project was to increase capacity of LLKC in order to adjust agricultural activities to the standards of European Community related to environment protection, hygiene, animal well-being and good agricultural practice and to work out computer software for management of farms and agro environment planning and to provide

availability of information for farmers in order to favour the development of economically viable farms. After the realization of the Project, the trained advisors of rural advisory offices are expected independently to provide consultations for the farmers about the standards demanded by the Council of Europe related to environment protection, hygiene and animals' well-being and good agricultural practice. Other purposes of the project were to favour the development of professional skills for those rural entrepreneurs who are involved in agricultural, forestry and other activities, which is provided by memorandum of European Parliament about the life long education. The significance of preparing the farmers for qualitative reorganization of the production was emphasized.

However, today the consequences of the Project finance allocation to LLKC has brought LLKC in a more privileged situation than other advisory services' providers, and farmers often express dissatisfaction with LLKC passive service adoption to the market needs. Moreover, according to the Article 66(3) of Council Regulation (EC) No 1698 /2005, regarding the development of the National Rural Network and Latvia Rural Development Program 2007-2013, it is planned to involve organizations, administrative bodies, ministries and its sectoral institutions in information summarization, evaluation, coordination and dissemination. The Ministry of Agriculture of the Republic of Latvia has chosen the LLKC as an administrative body of the National Rural Network. The agricultural associations have already claimed concern about the lack of transparency in the process of the development of National Rural Network and trusting establishment of the network to organization unable to provide competitive and market driven advisory services.

Since access of information and advisory services are of crucial importance in nowadays, the author has performed analysis of the present gaps in LLKC service provision, focusing on customer perceived quality issues.

Methods

The descriptive method was applied to perform detailed research of LLKC services. Analytical method was applied to divide LLKC services in separate groups and perform analysis of each group. Methods for mathematic data processing were applied: the calculation of arithmetic mean and data graphic description. Experts' survey method was applied to find out rural advisors' opinion regarding existing gaps in their customer service. Logical construction method was applied in the conclusion part to present the author's conclusions about the results of the research.

In previous research works the author has mainly focused on the range of services, provided by LLKC, therefore this research brings more notice to the quality assessment problems of the services. The research comprises analysis of two different survey data. In the beginning of the article the author analyzes secondary data of marketing and public opinion research centre SKDS survey, which was organized by LLKC and public opinion research centre SKDS in 2007. This survey comprised 307 respondents (quota sampling), the target group – Latvian producers of agricultural production, survey method – CATI. After secondary data analysis the author analyzes the data of LLKC regional offices' expert survey, which was organized by the author in 2008 to find out LLKC employees' self-appraisal regarding the provided services.

Results and discussion

In 2007, alongside with many other issues about LLKC services, the question about identification of LLKC services was included in the opinion survey of Latvian farmers.

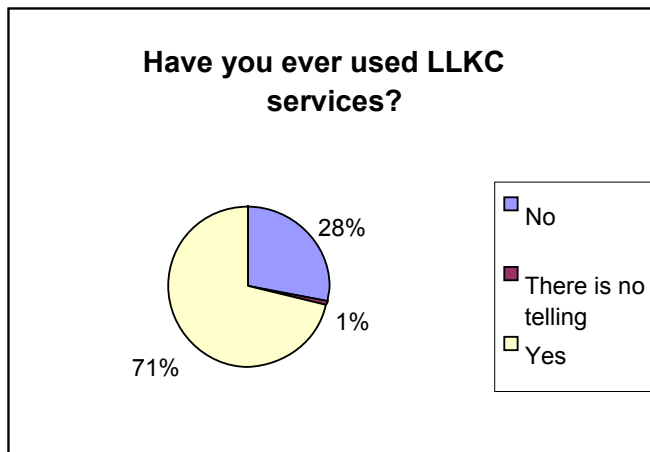


Figure 1. Survey of Latvian Producers of Agricultural Produce in 2007. Marketing and public opinion research centre SKDS data, presented by Kaktins A. in LLKC seminar “Mutual Conformity System in Latvia” on 6 November 2007

The survey results revealed that despite efforts made to promote availability of LLKC services and continuous dissatisfaction of farmers with lack of information, there is still a significant number of farmers who have yet never applied for advice in the nearest LLKC office. Moreover, despite the fact that Latvian farmers claim insufficient access to information regarding requirements defined by the EU normative acts, and since one of the most complicated problems has been claimed as lack of comprehension how these requirements could be met, farmers are yet not actively applying for a service, heavily advertised and recently especially elaborated for them “cross compliance”. The purpose of this service is to help farmers to evaluate their farms’ present compliance with the EU regulations regarding e.g. hygiene factors on the farm, animal breeding, organic farming etc.; and in case of discrepancy together elaborate a plan how to eliminate these discrepancies on the farm. It is self-evident that supervising institutions will more and more demand that these requirements are met and lack of knowledge does not release the responsibility. The main reasons of the farmers’ for so little initiative to co-operate with LLKC were mentioned discouraging bureaucracy procedures in these institutions or ambiguity about services’ fee and quality.

The same survey revealed that the top three most often used LLKC services mentioned by the survey respondents were: training courses, accounting and preparing application for the EU support payments. The respondents are most dissatisfied with LLKC assistance and advising in agricultural technology and horticulture issues.

Shortly another survey to research the present availability and usefulness of LLKC services was organized involving regional LLKC advisors (specialists of different areas who have direct contact with customers) asking them to give a self-appraisal about rendered services in their workplaces to compare their view point with the view point of their customers.

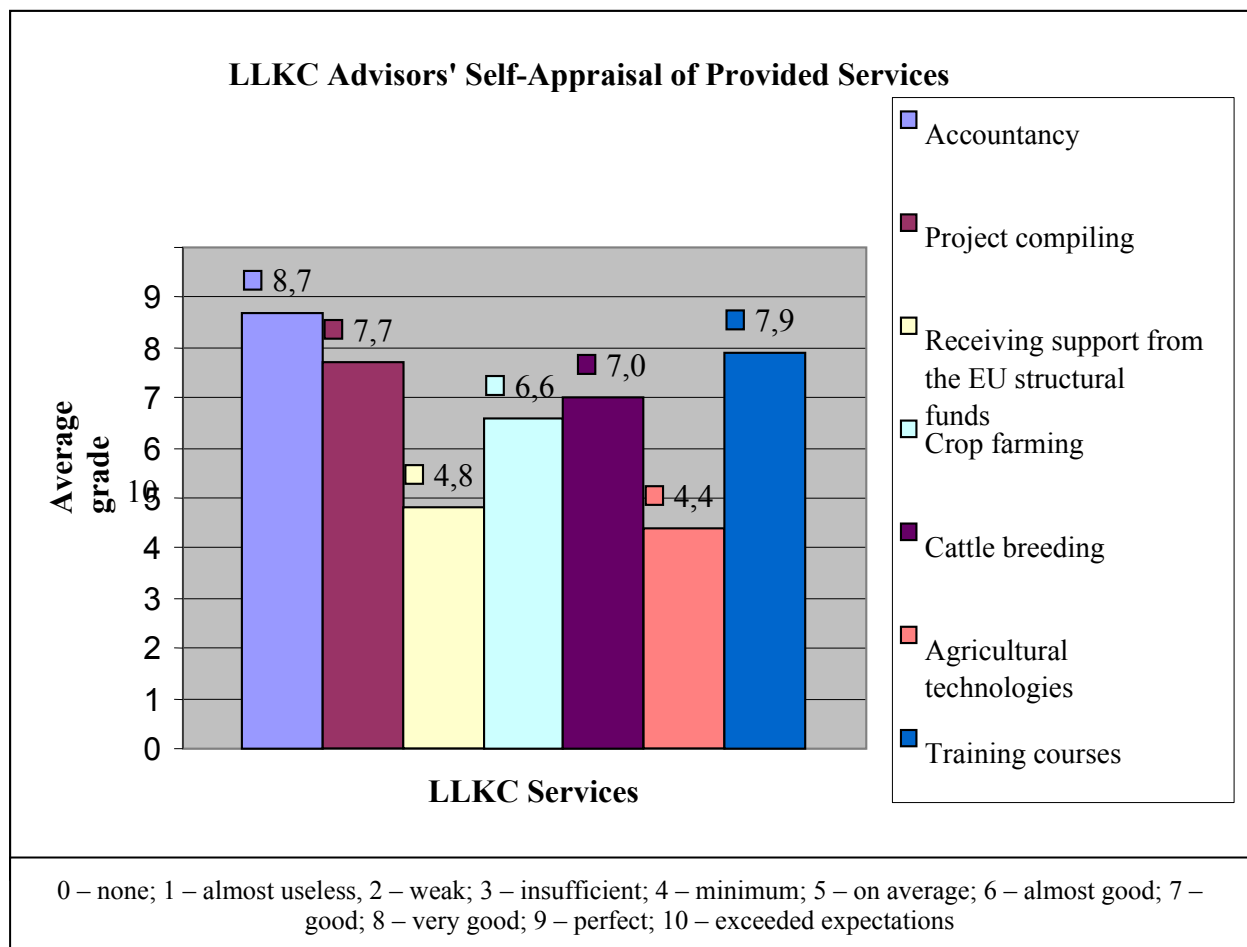


Figure 2. LLKC Advisors' Self-Appraisal of provided Services (grades 1-10)
Source: prepared by the author

The experts' survey revealed that advisors themselves are less confident about their services in agricultural technology issues and issues connected with receiving support from the EU structural funds. In common with their customers, advisors are most satisfied with training courses they organize in their regional offices. However, despite high assessment they still believe that there is a space to increase their knowledge. Most critical advisors are about the present procedure in provision of technical assistance services or advice services in agricultural technology issues. The most hindering factors mentioned by the rural advisors were little possibilities to improve their qualification, lack of initiative, as well as lack of contemporary expertise both in speciality and service management. Another interesting fact that experts' survey revealed was that 90% of respondents confirmed that the present order of service rendering must be substantially changed to a different one, putting emphasis on efficiency of customer service, information system, material and technical basis.

The present advisors' certification system, adopted by LLKC, provides internal certification attributing advisors to five qualification levels: junior specialist, specialist, senior specialist, consultant and consultant-expert. Besides, skills and expertise are evaluated in scope of particular area the advisor is intended to work (horticulture, cattle breeding, project compiling etc.). In addition to the speciality issues, an integral part of LLKC advisors' internal training program are courses in – communication psychology, pedagogy, legal issues, public speech

and presentation, information technologies. Moreover, the advisors receive regular training in seminars, demonstrations etc. Consequently, the becoming and existent advisors at their workplaces are plentifully provided with a wide range of courses, which should have been resulted in increasing quality of LLKC services. However, according to the latest research data, both LLKC customers and advisors still lack confidence about the present quality of services provided by LLKC. This suggests an idea that the present way of service delivery and/or quality of services is not yet well considered. Despite allocation and use of plentiful financing there are still gaps in service provision, which should be eliminated. Hereby the author reflects the stakeholders of the LLKC services and spheres of their interaction.

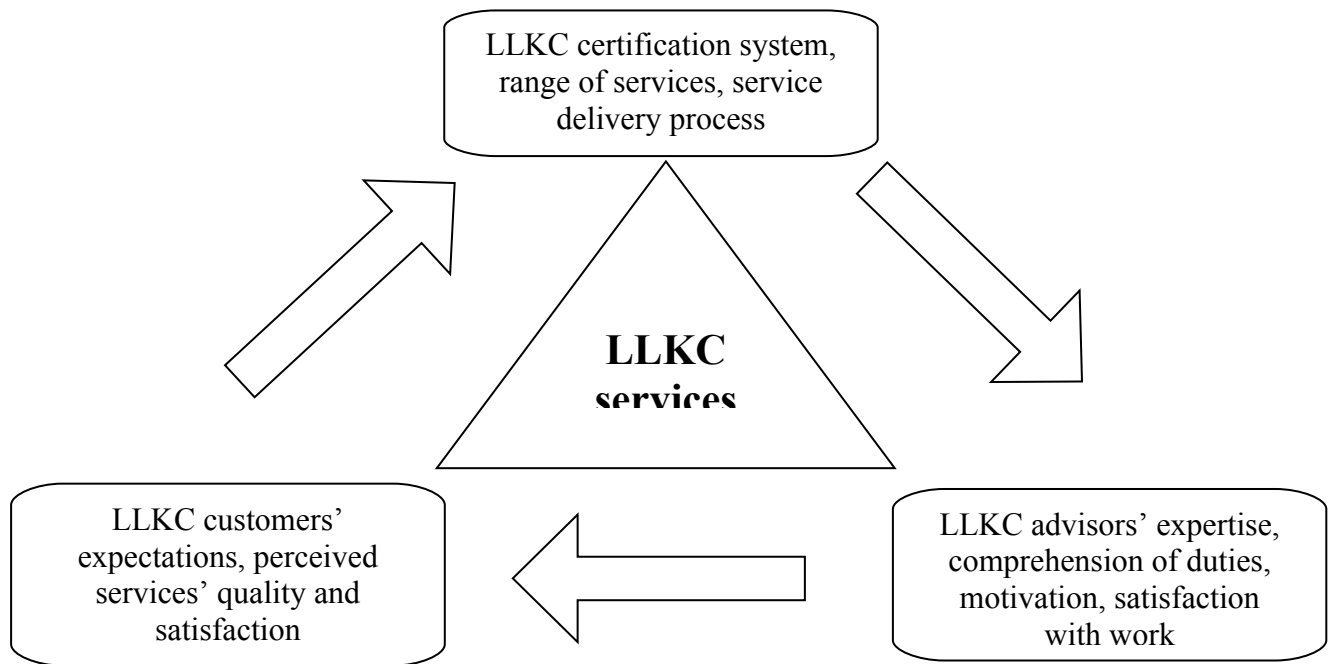


Figure 3. LLKC services' stakeholders and their interaction
Source: prepared by the author

At present situation LLKC initiates, designs and tailors services for rural entrepreneurs. However, probably due to LLKC favourable instant position of being a recipient of national scope rural development projects, its vigilance in keeping up with the advanced technologies and service delivery perfection have been disregarded. On the one hand there are 26 regional LLKC offices in all Latvia, which is a positive point since every region has its own office located nearby. Besides, alongside with LLKC advisors, rural development specialists are as well hired by local authorities and can receive customers there. From this point of view farmers can regularly access advisory services close to their farm location. But the question is – if services, provided in all these advisory centres comply with farmers' needs and requirements.

According to the service quality management guidelines, there is always a risk that when quality is defined too narrowly, quality programs become too narrow in scope. In the firm one has to define quality in the same way customers do, otherwise, in quality programs, wrong actions may be taken and money and time may be poorly invested. It should always be remembered that what counts is quality as it is perceived by customers (Grönroos, 1990).

Consequently, all training strategies and employee certification in LLKC should be customer-guided but not imposed by the governing bodies like it is being practised at present.

Moreover, since services are basically more or less intangible and quite subjectively experienced processes, the service technical or outcome dimension and functional or process-related dimension can be distinguished. The technical (outcome) dimension is what customers receive in their interactions with the firm (what the customer is left with) and is clearly important to them and to their quality evaluation. Frequently, but not always, this dimension can be measured rather objectively by customers – like the service “project compiling”. The assessment of quality will be if the project was approved after its submitting to project evaluation board. However, technical quality does not count for the total quality, which the customer perceives. The customer will obviously also be influenced by the way in which the technical quality, the outcome or end result of the process, is transferred to him or her. The customer is also influenced by how he or she receives the service, so called functional quality of the process (Grönroos, 1990). Regarding advisory centre services, functional quality could comprise employees’ courtesy, communication and credibility.

The LLLK experts’ survey, organized by the author, reflected that without regard to regularly received training programs, LLKC advisors still lack contemporary expertise, which results in little initiative to be more active and helpful in customer servicing, trying to be creative and offering best solutions for their customers’ problems.

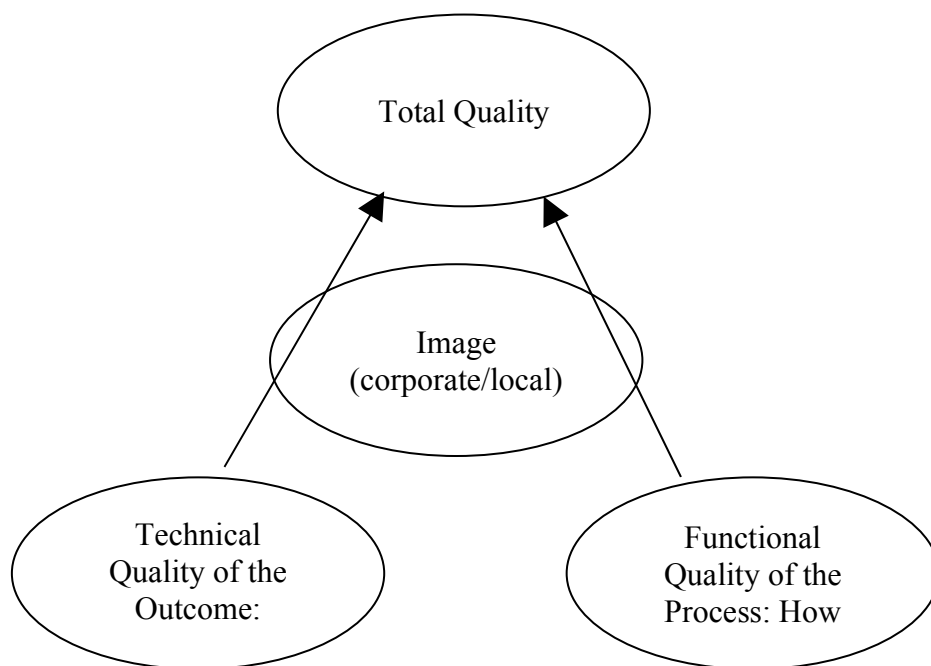


Figure 4. Two Service Quality Dimensions (Grönroos, 1990)

According to Grönroos quality dimensions approach the service provider cannot hide behind brand names. Corporate and/or local image is therefore of utmost importance to most services. It can impact the perception of quality in various ways. If the provider is good in the minds of the customers, that is, if it has a favourable image, minor mistakes will probably be forgiven. And if the image is ambiguous, which is the case of LLKC, the impact of any mistake will often be considerably greater than it otherwise would be. Therefore, the present

privileged and recognizable position of LLKC, due to extensive advertising of its products, imposes even higher responsibility to deliver its services better and better.

Figure 5 illustrates how the quality experiences are connected to the traditional marketing activities resulting in a perceived Service Quality. Good perceived quality is obtained when experienced quality meets the expectations of the customer, that is, the expected quality.

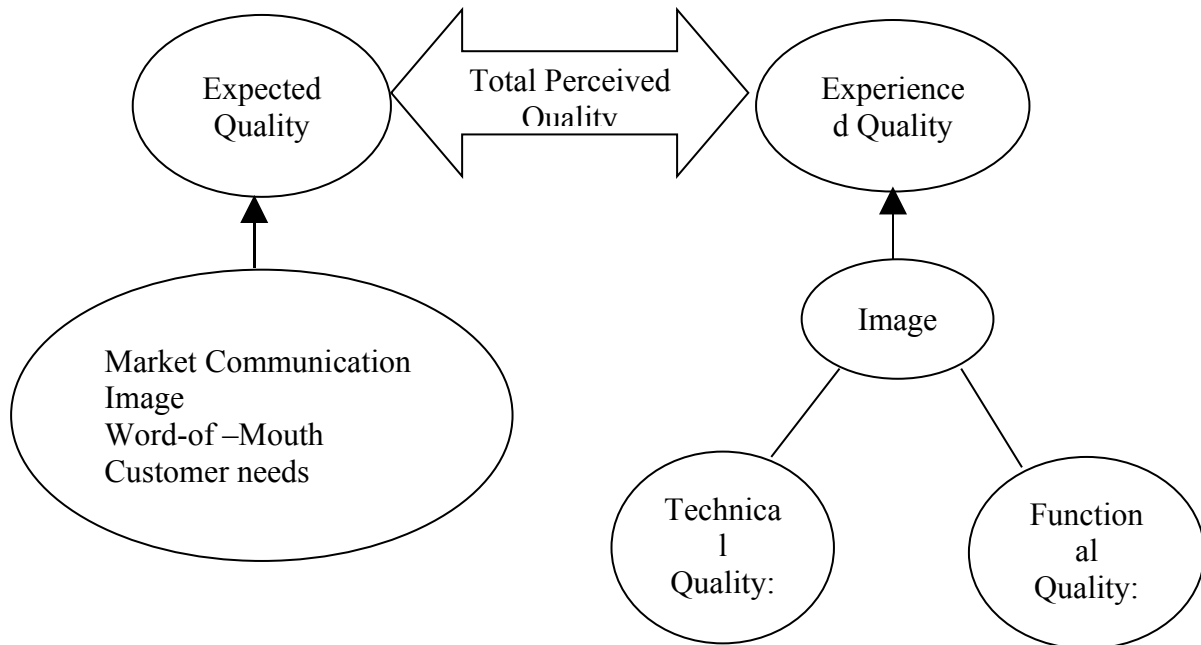


Figure 5. The Total Perceived Quality (Grönroos, 1990)

As reflected in Figure 5, the expected quality is a function of a number of factors, namely, market communication, word-of-mouth communication, corporate/local image, and customer needs. Market communication includes advertising, direct mail, public relations and sales campaigns, which are directly controlled by the service provider. Finally, the needs of the customer also have, of course an impact on his/her expectations (Grönroos, 1990).

Although LLKC is regularly substantially advertised and recognizable among farmers, there is yet not sufficiently established feedback with its customers to evaluate their quality expectations. Consequently, regarding LLKC services provision, LLKC marketing department should further be more involved in the perfection or reengineering of the existing services delivery processes.

Conclusions

1. Despite Latvian farmers' insufficient knowledge of the requirements defined in the EU normative acts, almost one third of surveyed farmers had yet never applied for LLKC advisory services. The main reasons for unpopularity of services were claimed insufficient information and uncertainty of bureaucracy burden, as well as inability to pay the requested fee. Repeatedly informative intramural seminars, where farmers can on the site clarify all uncertainties with the representatives of LLKC and Ministry of Agriculture should be organized on regular basis.
2. At present the LLKC internal certification system provides a complex program of testing, evaluation and training of staff. The program provides a plentiful range of courses both in

speciality and psychology, pedagogy, legal issues, public speech and presentation, IT. However, advisors self-appraisal revealed yet their lack of confidence in many areas, which could be explained with the present courses' inefficiency and becoming out-of-date.

3. Due to the LLKC initial favourable position of being a recipient of national scale projects' finance and lack of competition in the market of advisory services, LLKC vigilance in keeping up with perfection of its employees' expertise and improvement of services' delivery have lately been disregarded. Due to continuous development of quality standards and unavoidable modernization of farms, more sophisticated services will increasingly be demanded. Since it is still problematic to fill up vacancies of technical specialists in Latvia, present advisors occupying these vacancies should be regularly sent to qualitative and up-to-date training courses mastering IT, agricultural technology novelties and foreign languages in order to be further able unaided follow the latest trends defined by their customers' demands.
4. The present LLKC quality management program is defined too narrowly. The quality aspects are defined basically counting on the view point of the administrative body but not other stakeholders – customers and advisors.
5. In order to reengineer and improve the existing LLKC quality management system, the marketing department should work more actively to detect quality expectations of the existing and potential customers.

References

1. Castells M. (1996): The Information Age: Economy, Society, and Culture. Cambridge. MA: Blackwell Publishers, p.191
2. Grönroos C. (1990): Service Management and Marketing. Lexington Books, D.C. Health and Company/Lexington, Massachusetts/Toronto, pp.36-42
3. Kaktins A. 2007. Survey of Latvia agricultural production producers' opinion in July of 2007, presented by Kaktins A. in LLKC seminar "Mutual Conformity System in Latvia" on 6 November 2007
4. Latvia Rural Development Plan 2007-2013
5. LLKC website www.llkc.lv, "About us", "Services", viewed 16.12.2008
6. Regulation No.1783/2003 of Council of Europe
7. Rifkin J. (2004): The Age of Access. Riga, p.22