The Third-Party Process: Waste of Resources or Added Value?

Discussing "accredited certification" at a cocktail party isn't likely to make you the center of attention. But depending on where you work, you may be able to stir up some interest around the water cooler. In the manufacturing sector, certification to management system standards is common, though by no means universal, and it's increasing in other areas.

In the context of ISO 9001, ISO 14001, and other management systems standards, "certification" refers to the written assurance provided by an independent third-party body that audits an organization's management system and verifies that it conforms to the requirements of the standard.

"Accredited certification" results when that third-party body has attained formal recognition from a specialized accreditation body that it is competent to carry out certification in specified business sectors. Accreditation is akin to certification of the certification body.

"Accredited certificates"—those issued by accredited certification bodies—may be perceived on the market as having increased credibility. Certainly this is the view of accreditation bodies and the certification bodies that seek their accreditation marks. In the business world in general and among the consuming public, there is less understanding of what accredited certification means and what value it offers.

Building a Firm Foundation

To understand the value of management systems certification, consider how today's businesses operate. In simple terms, success depends on giving customers what they want. But consistently providing products and/or services that meet or exceed customer requirements is typically not so simple. To use the jargon of business, it requires establishing clear specifications, building and operating well defined and repeatable processes, and establishing controls to monitor the system to ensure the desired results.

"Customers expect and demand quality in services and products," says John Knappenberger, vice president of quality and administration for Dura Automotive, based in Rochester Hills, MI. "Successful business leaders advocate, build, and support excellence in these fundamental underpinnings to assure their long-term viability. Employees, by and large, take pride in living these fundamentals as well. Customers expect these fundamentals to assure service and product integrity in their contracts."

The foundation of a successful business is its management system. A management system may be well defined and documented or consist merely of a shared understanding of how things are done. In a nutshell, the management system defines how work is done, the desired outcomes, and the controls imposed to ensure those outcomes.

The methods for how work is done are typically referred to as the work process or processes—also referred to as work flow, inspections, procedures, method sheets, work specifications, and so on. At a minimum, the work process addresses machines and equipment, people, training, maintenance, and materials used. It should also address continual improvement methods, corrective action, and a change process.

Outcomes of the work process may be defined in a variety of ways, such as quality specifications, quality levels, and yields. Controls are put in place to ensure the desired outcomes for customers are met with minimal waste, as measured by financial values, process outputs, audits, and checks, etc.

Consistency and discipline are important variables in the work process. Lack of consistency and discipline—often referred to as variation—detracts from designed and codified methods, outcomes, and controls. Variation can occur in the form of new and untrained employees, employees who prefer to work their way and not within the process, substitute material, deviation approvals, and changes implemented for a limited part of the business that affect other portions of the business, to name a few examples.

Maximizing Efficient Use of Time and Resources

Organizations develop and implement management systems to combat and control variation. The management system details definition, implementation, control and audit, corrective and preventive action, improvement, and redesign.

"Documenting a management system—by developing written work procedures, forms, and records—can help ensure that the organization operates in a structured way to maximize efficient use of time and resources. Systemizing how things are done ensures that nothing important is overlooked and responsibilities are clear to everyone," according to the International Organization for Standardization (ISO).

As ISO notes, management system standards provide a good model for organizations to follow. A management system that conforms to an international standard is built on what ISO calls "a firm foundation of state-of-the-art practices arrived at by the consensus of experts in the field."

To be effective, a management system must be complied with consistently. To ensure consistent compliance of their management systems, organizations can pursue a number of alternatives.

A business may use its own internal auditors to ensure ongoing compliance—what can be referred to as a "first-party" method. Ensuring compliance is entirely driven by the organization itself (the "first party"), and its auditors are typically trained with little or no outside help.

When an organization is contractually obligated to make sure it meets specific customer requirements, a "second-party" method of ensuring compliance may be used. While implementation and control of the management system remains the responsibility of the business, which may still conduct internal audits, the organization's customers (the "second party") reserve the right to conduct their own audits, and may also participate in corrective and preventive action and improvement action and redesign.

In the "third-party" approach, the business bases its management system on an international standard and has the system audited by an independent certification body (the "third party"). Organizations that engage in the third-party process are required to conduct internal audits. Their internal auditors are trained on (and perhaps certified to) the requirements of the international standard. While some customers may still conduct second-party audits, certification has the potential to eliminate multiple audits of the management system—and thus the time and resources required to conduct them—because all parties can rely on the verification of compliance provided by the third-party certification body.

Management System vs. Technical Standards

An organization on the path to "accredited certification" begins by implementing a management system standard: ISO 9001 for quality management systems or ISO 14001 for environmental management systems. There are also industry standards that incorporate the requirements of ISO 9001 or ISO 14001 and add additional industry-specific requirements, and additional industry-specific management standards are being written.

Some clarification about management system standards may be needed. Unlike the vast majority of ISO standards—which contain technical specifications or other criteria to be used to ensure that materials, products, processes, and services are suited to their purposes—ISO 9001 and ISO 14001 are generic management system standards. "Generic" means the standards can be applied to any organization, regardless of size, industry sector, or product or service. As discussed previously, a "management system" is what an organization does to manage its processes to ensure that its products and services meet expectations, such as satisfying customer requirements, meeting environmental objectives, or complying with regulations.

While ISO's highly specific technical standards are of concern principally to engineers and technical specialists concerned with the precise scope of specific standards, ISO 9001 and 14001 apply much more broadly. Management system standards directly concern processes rather than their outcomes. The products and services that are the outcomes of these processes are only indirect concerns of the standards.

"ISO 9001 doesn't guarantee that you're going to make a good product—only that you've got a management system in place that aims to make a good product," said Robert King, president of the ANSI-ASQ National Accreditation Board (ANAB).

ISO 9001 is concerned with quality management—what the organization does to ensure that its products or services satisfy the customer quality requirements and conform to any applicable regulations. ISO 14001 is concerned with "environmental management"—what the organization does to minimize harmful effects on the environment. Conformance to ISO 9001 and ISO 14001 requires continual improvement in performance in quality and environmental management, respectively.

In the years since ISO 9001 and ISO 14001 were published, many organizations have followed the models of these standards in designing their own management systems. Depending on how the organization operates, implementation may be relatively simple or it may require a great deal of up-front preparation.

Conformance with ISO 9001 and ISO 14001 is voluntary. An organization can implement an ISO 9001- or ISO 14001-based management system solely for the internal benefits in increased effectiveness and efficiency of operations.

The benefits of conformance are available without having the system audited and certified as conforming to the standards by a third-party certification body. Indeed, even the staunchest proponents of the third-party system of certification and accreditation are likely to agree that the best reason for implementing the standards is to improve the efficiency and effectiveness of operations.

Benefits of Certification

While taking the next step and undergoing third-party audits to become certified may be voluntary, for many organizations there are compelling reasons to do so. In some sectors (notably the automotive and aerospace industries), a company's customers may require their suppliers to be certified to a management system as a prerequisite to doing business. For some organizations, having an independent audit of the management system to confirm that it conforms to the standard is a contractual, regulatory, or market requirement. Others make a business decision to seek certification because it is a customer preference or part of a risk management program, or as a means to motivate and engage staff.

Industries and companies that require certification are convinced of the value, and so are other organizations that have pursued certification even though it wasn't required of them.

Certification to management system standards can deliver benefits for any organization. In many cases, major benefits are gained by simply implementing the standards because conformance brings organizational discipline to effectively manage specific issues, such as quality and customer satisfaction or reducing adverse affects on the environment.

According to the results of a recent survey conducted for the Independent Association of Accredited Registrars (IAAR), the main reasons organizations cited for obtaining certification to a quality management standard were "customer mandate" (29%), "competitive pressure or advantage" (17%), "continuous improvement based on customer requirements" (16%), and "improve quality" (14%). Less frequently cited were “implementation and control of best practice” (10%) and “corporate mandate” (9%). “Reduce cost,” “risk management,” and “legal reasons” were each cited by one percent of respondents.

For many organizations, implementation yields financial benefits from cost reduction and new sources of revenue. In the process of implementing ISO 14001, many organizations have changed waste by-products into new revenue sources after doing aspects analysis and becoming aware that other organizations can use their waste as a raw material for their products.

Among respondents to the IAAR survey, 84% of certified companies realized a positive return on their investment in certification to quality management standards. A return on investment (ROI) of more than 20% was reported by 11% of respondents to the survey, while 15% reported ROI of 10%-20% and 27% reported ROI of 6%-10%. For 31% ROI was 5% or less.

Certification allows an organization to demonstrate to shareholders, regulators, and the public that its management system has been audited, in the same way as are its financial accounts, by someone with appropriate professional skills and knowledge. This has important implications for global commerce.

“Conformity assessment activities—the processes of auditing, certification, and accreditation to ensure conformance to standards—underpin international trade and provide confidence and assurance to organizations, individuals, and countries that products and services are fit for a purpose and safe,” said Michael Carmody, president and chief executive officer of RABQSA International, an organization based in Milwaukee and Sydney that provides certification programs for management systems auditors.

Certification instills customer confidence; it verifies that a business has a conforming and effective management system that meets recognized requirements and standards, so customers can have confidence the business will deliver what it promises. This provides enhanced value and assurance up and down the supply chain.

Certification provides an independent review of an organization’s commitment to its activities and their associated impact on the environment. It can also drive greater involvement of employees and other stakeholders. Engaging in certification can also enhance the corporate reputation.

Certification also offers internal benefits. Audits by an outside professional auditor can identify issues that may be overlooked by those inside the organization. While day-to-day business pressures can divert an organization from using management systems effectively to derive maximum benefit, having an outside auditor come in periodically can keep the system from degrading and get things back on track when systems falter.

In the IAAR survey results, the most frequently named external benefits of certification were “improved perceived quality” (57%), “improved customer satisfaction” (55%), “competitive advantage” (38%), and “reduced customer audits” (31%). Also mentioned were “increased market share” (11%) and “quicker time to market” (4%).

“Greater quality awareness” and “better documentation” (both 73%) were the internal benefits most frequently cited. These were followed by “increased efficiency” (37%), “positive cultural change” (33%), “improved financial performance” (12%), and “improved morale” (9%).

Accreditation Adds Value

Auditing and certification of management systems is carried out by more than 750 certification bodies active around the world. An organization seeking certification may find plenty of certification bodies (also known as registrars) clamoring for its business and care should be taken to find a good match. The conformity assessment industry is subject to competitive pressure just like any other industry, and not all certification bodies are equal.

When choosing a certification body, an organization should evaluate several companies and take into account a number of aspects, such as whether the certification body has auditors with experience in the appropriate business sector. Competent auditors are essential; it takes a solid technical educational background, specialized training and experience, and specific personal attributes to make a good management system auditor. Price alone should not be the determining factor, as the least expensive proposal might prove to be the most costly if its auditing is below standard, or if its certificate is not recognized by the organization's customers.

Another aspect to consider is whether the certification body has been accredited and by whom. Accreditation indicates a certification body has been assessed to international requirements and deemed competent to carry out certification in specified business sectors by a national accreditation body. Accredited certification bodies must meet international standards relating to the competence of their assessors. This provides added assurance for client organizations.

In most countries, accreditation is voluntary. The fact that a certification body is not accredited does not in itself mean that it's not a reputable organization. Many certification bodies seek accreditation to demonstrate an independent confirmation of their competence.

Standards and guidelines for conformity assessment activities and the organizations that perform them are developed by ISO's Committee on conformity assessment. These requirements represent international consensus on what constitutes good practice. The use of these requirements ensures the consistency and coherence of conformity assessment worldwide and serves to facilitate global trade.

In most of the world, national accreditation bodies are a function of government. In the United States, however, accreditation is provided by the private sector through ANAB. These national accreditation bodies operate according to ISO standards and require the certification bodies they accredit to do so as well.

Accreditation provides an added level of oversight and an avenue for resolution of complaints. Just as certification bodies conduct periodic audits of their certified clients, accreditation bodies use a rigorous program of oversight assessments to ensure the ongoing competence of certification bodies and their auditors to do their jobs.

An important aspect of this is ensuring that there is no real or perceived conflict of interest on the part of parties involved in conformity assessment activities. This means, for example, that a certification body may not engage in both consulting and certification on behalf of a single client within an extended time frame so that auditors are truly independent of the systems they audit.

If a problem arises between a certification body and a client or between certification bodies, the accreditation body provides a forum to hear and resolve conflicts and complaints.

ANAB and other national accreditation bodies work cooperatively through the International Accreditation Forum to harmonize their activities. While international standards and guidelines are sometimes interpreted and applied differently in various economies, IAF administers multilateral recognition arrangements (MLAs) among member accreditation bodies to ensure consistent practices. When new and revised standards are published, IAF brings accreditation bodies together to decide on appropriate timelines and practices for implementation.

"Certified once, accepted everywhere" is the goal of IAF and its member accreditation bodies. The aim of conformity assessment services is to create confidence between suppliers and their clients. This depends on consistent processes consistently applied—regardless of where one is located in the world.

Auditor competence plays an integral part in the value provided by accredited certification, so it is no wonder that accredited certification is also an issue with regard to conformity assessment programs for personnel. Personnel certification bodies and their accreditation bodies also participate in IAF activities.

Bodies that provide credentials for management system auditors are offering competence-based programs in favor of programs based on qualifications alone. Rather than simply meeting requirements for years of education, numbers of audits conducted, and so forth, certified auditors are now being required to demonstrate to examiners that have the specific industry-defined competencies to be good auditors. The change in approach reflects publication of ISO/IEC 17024, the requirements for bodies operating certification of persons.

Although the conformity assessment industry relies on international consensus on what constitutes good practice, the system comes under attack from time to time.

"People don't remember the old days, when each customer had its own standards and auditors—and what a mess it was, and how expensive it was," Knappenberger said. "They forget where we came from."

There have been charges that the system is too costly, though reliable studies providing a definitive picture of cost relative to return are lacking. Others have questioned whether management system standards are providing improved business performance—again with too few solid statistics to turn to. And auditor skills have been questioned even as customers pressure certification bodies to decrease audit times in what may be a misguided attempt to reduce costs.

In spite of lingering skepticism, certification is increasing. Since publication of the ISO 9000 series of standards in 1987, the number of accredited certificates to management system standards has grown worldwide. In the United States, more than 44,000 organizations are certified to ISO 9001 and more than 5,000 are certified to ISO 14001. Worldwide, ISO 9001 certifications numbered more than 776,000 and ISO 14001 certifications numbered more than 111,000 in 2005.

"Many industries are moving subtly away from third-party processes to go back toward more second-party and even internal processes where manufacturers warrant their own compliance," Carmody said. "We don't believe this is in anyone's best interests."

The primary objective of third-party certification is to provide assurance that an organization has the ability to consistently provide products and services that meet customer and applicable regulatory requirements, applies its management effectively, and continually improves the effectiveness of the management system.

The value of third-party accredited certification is most evident in the reduction of second-party audits and the international acceptance and recognition of one systematic management system instead of multiple audits to multiple supplier requirements. ISO management systems have been shown to have a return on investment of less than 18 months; they have demonstrated increased customer satisfaction and higher incidence of employee involvement. The third-party scheme gives assurance that the certification body operates with integrity and is competent to audit in its area of expertise. The certification audit provides the advantage of an outside look into the inner workings of an organization to reveal any gaps that exist in the business process. Third-party accredited certification makes good business sense.