

Confirmation by third parties

The shifting role of certifications

Authors

Dr. Anni Koubek



Executive Vice President Innovation, Business Development Certification Quality, Quality Austria

Eckehard Bauer, MSc



Executive Vice President Business Development Safety Management, Business Continuity, Risk, Security, Compliance and Transport, Quality Austria

Dr. Melanie Wiener, MBA



qualityaustria network partner, Product Expert NQR, postdoctoral researcher, Johannes Kepler University

Johann Russegger, MBA



qualityaustria network partner, Product Expert Trainings, Integrated Management System, Quality, Quality Austria

Axel Dick, MSc



Executive Vice President Business Development Environment and Energy, CSR, Quality Austria

Foreword

The accredited certification of management systems has evolved into an integral component of our economy. In many sectors of the economy, ISO standards, such as ISO 9001 for quality management systems, ISO 14001 for environmental management systems or ISO 45001 for management systems of occupational health and safety, form the basis for organizational structures. In particular, the introduction of the same basic structure (Annex SL / High Level Structure) into the ISO management system standards enables organizations to establish an integrated management system focused on achieving the organization's objectives. Just like the application of these standards, independent reviews by third parties, i.e. certification, has become an important factor in establishing transparency and trust in the minds of customers and other interested parties.

The value of a certification depends on two factors: for one, the value of the basis of certification, e.g. the underlying ISO standard, and for another, the value of the certification procedure. This white paper addresses both of these areas: Are judgements based on an internationally developed foundation or are they the personal opinions of users? Are there verified, transparent procedures or are these in fact private awards? The basis for this line of questioning was the current landscape of manifold appraisals, seals and possibilities for evaluation and their relationship to the accredited certification of management systems.

As part of the project "Quality 2030", which was carried out together with the Institute for Integrated Quality Design of the Johannes Kepler University in Linz, we exam-

ined the role that certifications will play going forward. In the course of the project, this topic was expanded and the issue of certification in the context of "confirmation by third parties" was examined. In this context, there is fierce competition for the leading position in terms of generating trust on the part of the customers and other interested parties.

Here, certifications are just a small facet of the offer. A diverse range of seals, marks of approval and private confirmations by third parties are to be found in this field. But the internet has also taken on great significance here: Whether we are dealing with simple feedback in forums, review platforms or influencers, there is a huge kaleidoscope of evaluation methods available online that are more or less independent, or that at least present themselves as such.

However, the potential initial expectation that review portals could take the place of certifications does not seem to be materializing.

All consumer-based reviews have definitely become an essential component of the purchasing decisions made by consumers. Studies show that on average, two thirds

of all consumers read reviews before deciding on a hotel, although almost half of those surveyed state that even though review portals constitute an important basis for decision-making, they should be taken with a pinch of salt. Hotels' reactions to criticism also play a role.

Consumers increasingly operate under the assumption that such reviews are influenced by incentive systems or are, in the worst-case scenario, bought. Thus the relevance of reviews based on factors such as independence, impartiality and transparency – as also applies to certifications – continues to rise, instead of being replaced.

*Studies: ITB Berlin with the University of Applied Sciences, Worms

(<https://de.statista.com/statistik/daten/studie/372633/umfrage/umfrage-zur-persoelichen-einschaetzung-des-wertes-von-bewertungsportalen/>); Allgemeine Hotel- und Gastronomie-Zeitung (Newspaper for Hotel and Restaurant Business)

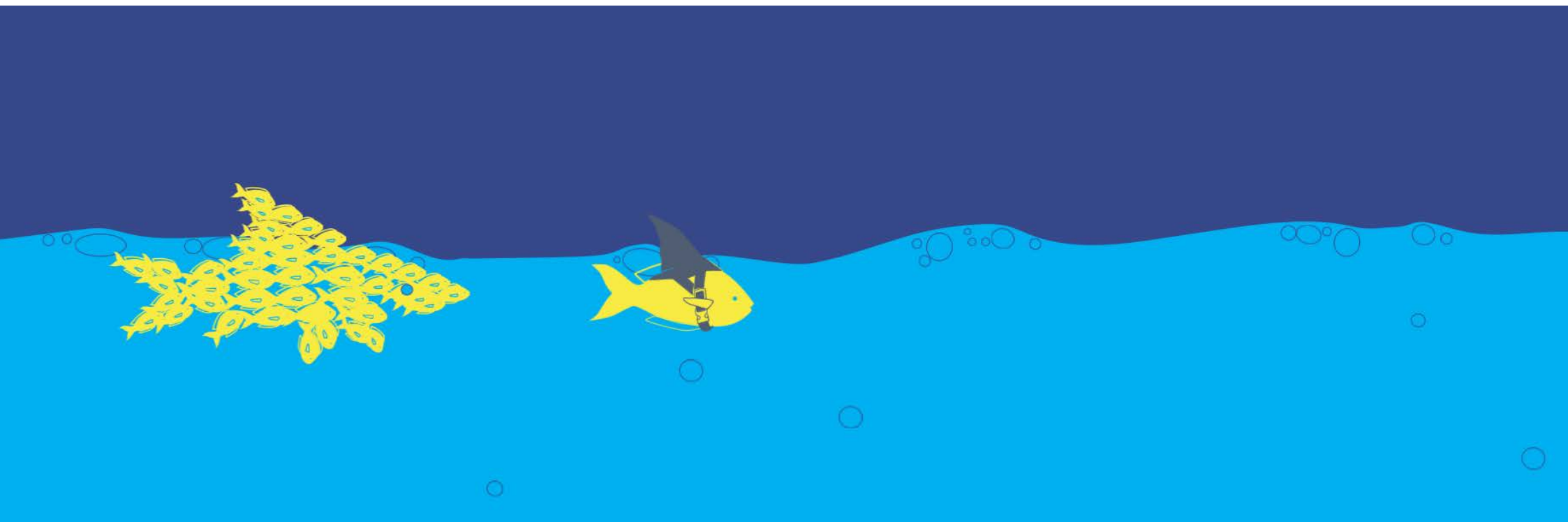
Peer-to-peer review Role of the influencers
Reliability **Security** Attention problem
Certification or crowd Certification
 Transparency Jungle of certificates **Trust**
Saving resources Agility & certification
 Reduction of complexity

Certification or crowd?

When you book a hotel or holiday, do you look at how many stars it has or do you go to Tripadvisor and co. to read the reviews? Or do you put your trust in the opinions of influencers? Such as German YouTuber BibisBeautyPalace, where viewers receive makeup and styling tips in videos. Bibi is not a trained beautician or dermatologist, and yet she still gives tips and advice. One thing became very clear during our exploration of the future in the study "Quality 2030": Review portals, influencers and the crowd will continue to play a major role in future, in particular in the B2C sector. On the internet, the crowd has assumed the role of an

independent source of information. Yet a trend reversal is emerging here, triggered by a decrease in trust. The reason: This "blind" trust has been exploited by many an influencer or platform, reviews manipulated and fake followers "bought", and the crowd is increasingly asking itself whether influencers in fact do more influencing in return for favors rather than truly standing behind a product / service with total, intrinsic conviction. In this vein, it was not uncommon to see YouTubers only pursuing the goal of product placement.

The basic values of certification are transparency and trust. In this regard, the internet has not met the expectations. The crowd can certainly reflect differentiated opinions, but consumers have by now become wary: Filter bubbles, paid feedback e.g. from influencers, and the clear manipulation of opinions through profiling and targeted advertising have done their part to contribute towards the crowd today having lost its role as an independent entity.



Usefulness of the certification

Accordingly, a trend towards independent evaluation by third parties can be expected. However, this trend will only take place if certifications fulfill the expectations of impartiality, professional judgment and transparency. For this, it is important to ensure that certification does not become a commodity, a simple “sticker” that is available for purchase. Of according importance is the competence of the auditors, as is their independence and impartiality. Efforts are being made in this regard both on the part of the ISO and accreditation organizations as well as on the part of certification authorities. The demands made of certification bodies are being increased and guidelines drawn up. Not only the standards, but also the certification practices should be brought into alignment with one another.

However, the image of the entire sector suffers when individual players resort to foul play. It is important to identify these black sheep. Correspondingly, it will be important for certification authorities to clearly define and consistently apply this ethical context in practice, and to make it visible for the customers and consumers. The short-term acquisition of customers by bending the rules can – as is the case in other industries – damage the image of the entire sector in the long run.

Certifications are also facing a second challenge. Certificates are awarded on the basis of audits. In an accelerated, constantly changing business world, auditors have to work hard to keep up. New forms of work, agile projects and a variety of digital technologies are taking hold in companies.

Here, auditors and certification authorities are called

upon to keep pace with the times in order to submit technically accurate judgments.

However, in the majority of cases, certifications are driven by the customers or state contracting authorities. Certifications offer security: independent third parties have inspected the company. It is not just about the product-related topics, which are represented by a range of different technical or quality management standards.

Increasingly, customers are also concerned with their image and their responsibility in terms of their supply chain. Accordingly, there is a demand for standards relating to the environment, occupational safety and CSR. Nobody wants to end up on the front page because a supplier uses child labor, is destroying the environment or has employees working under inhuman conditions. Given that the public pressure for companies to take greater responsibility in this regard is constantly increasing, it is to be expected that the handing down of certifications will be ever more widespread in the supply chain too.



In the jungle of evaluations

Do you still know which mark of appraisal is the best, which holds the greatest value? Can you keep an overview in the jungle of appraisal marks, seals and evaluations? What is an accredited, valid certificate? Don't we all wish for clarity about just how meaningful a certificate is? In this respect, our study reveals a high demand for tools that foster trust, certification procedures that create at least somewhat more clarity in an ever-growing jungle of appraisal marks, seals and certificates. This applies in particular to all the areas in which the complexity increases to the extent that customers are no longer able to comprehensively assess what is supplied to them, since they cannot test it and therefore cannot ensure the quality. In all of these areas, certified production processes are required, since otherwise the product quality will become unmanageable.

An example in this context would be a well-known manufacturer of environmentally friendly cleaning agents. The innovation and commitment of this company go well beyond the certificates it has been awarded. For the consumer, however, it is not possible to retrace this dedication to sustainability. Standing in the supermarket in front of a shelf full of cleaning products, many of them display some kind of "green label or certificate". So when the aforementioned company now also adorns its products with these environmental labels or certificates – how is it to distinguish itself from the others? How do consumers identify which of these awards are fake labels and which awards are based on challenging assessment procedures?

Thus for consumers who are not versed in this matter, it becomes impossible to distinguish which product is actually more environmentally friendly. Ultimately, the price decides. What this means is that certification organizations and publishers of standards need to make sure that they are in the focus of the consumers and that the general public is aware of the value of their work.



The future of accredited management system certifications

So does this mean that the system certification industry has no need whatsoever to continue developing? Quite the opposite. As is the case for private labels, the field of management systems is becoming ever more confusing – there is a huge array of publishers of standards, an increase in ISO standards for every particular aspect. The publishers of standards are called upon to coordinate with one another so that users do not lose oversight in this highly fragmented offer.

At current, the trend is still moving in the other direction. The number of standards and certifications is becoming ever larger, ever more industry-specific. The requirements are becoming increasingly specific and at the same time ever more relevant in terms of tenders. Here, a critical look needs to be taken at whether these multiple requirement models actually provide the corresponding added value for the users. In this regard, publishers of standards should try to combine various partial standards in order to increase the clarity and the value of the individual standards, since every management standard ultimately shares the same fundamental objective of supporting organizations' achievement of goals and fulfillment of the requirements.

This multitude of requirements also represents a challenge for certified companies. On the one hand, they are required to react swiftly to changing circumstances. And on the other, they also have to fulfill a wide range of re-

quirements even during such changes.

Ultimately, auditors are also called upon: Specialized standards also require appropriately specialized experts to audit them.

As a consequence, it is becoming increasingly difficult for a single auditor to competently assess conformity with these many specialized issues.

Certification authorities are increasingly required to use teams of auditors who, for one, bring a high level of specialized knowledge, but who at the same time also audit in an integral, coordinated manner so as to make consistent assessments that are oriented towards the purpose and objectives of the organization.



Can standards still keep pace with the dynamic and complex changes in our world?

The development time of standards should also be viewed with a critical eye. The established processes envisage a review of standards in intervals of five years, and allow for an average of four years for the revision thereof, including the decision-making processes. Accordingly, for the most important standards we observe that they are overhauled approximately once a decade. For example, the requirements of ISO 9001 actually remained constant for a total of 15 years (2000 to 2015).

At the same time, the economy and its framework conditions are developing at breakneck speed. Standards attempt to compensate for this by formulating very general requirements that are applicable to all companies, technologies and framework conditions. As a result, the call for special requirement models is in turn becoming louder. Here, the publishers of standards will face the challenge of re-thinking these rhythms and approaches in order to ensure that our central requirement models continue to remain relevant as strategic competitive factors.



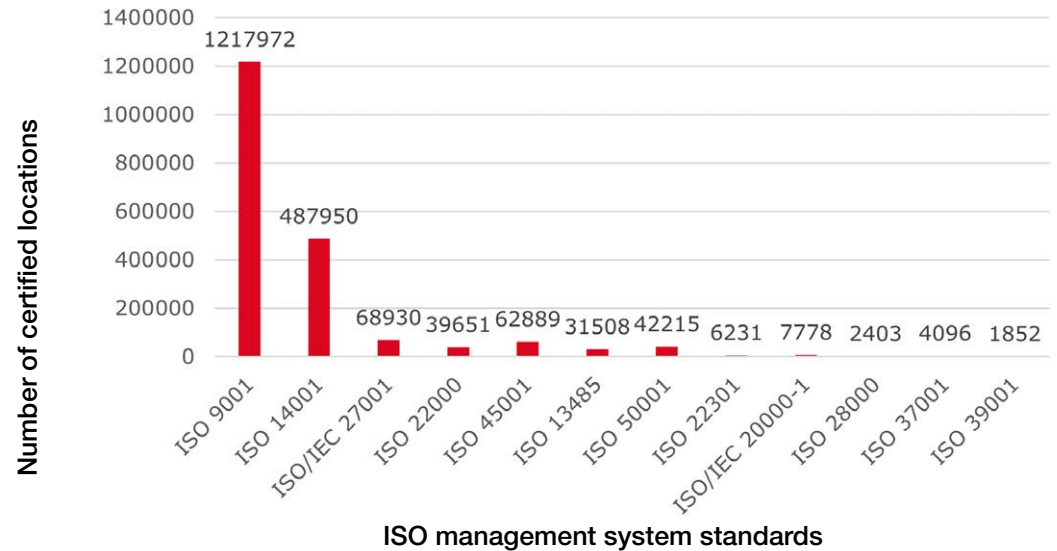
What are the MUST-HAVEs in the cornucopia of certifications?

Organizations are called upon to select the portfolio of certification models that fits them. For the majority of organizations, a certified quality management system forms the basis. In most industries, this is not a distinguishing feature, but rather a basic requirement for proving their customer orientation and sound product and service processes. Coming in relatively close in second place are the issues of environmental management and occupational safety.

In the graphic below, this is not yet reflected, since

at the end of 2019 many organizations were still using the standard OHSAS 18001. The survey also reflects many industry-specific requirements, for example those made of medical products or food safety. In other industries, standards are not developed at the ISO level, e.g. in the automotive or aviation sectors. One standard that is increasingly representing a “must-have” for companies is ISO 27001 with its requirements for information security, a trend that reflects the increasing digitalization of our economy.

Degree of dissemination of the ISO standards



Estimation of the degree of dissemination of the certified management systems worldwide, as of December 2019, based on the ISO Survey 2019, see <https://www.iso.org/the-iso-survey.html>.

Are new technologies replacing certificates?

Are the current standards and certification systems even still relevant in a digital world?

The coronavirus crisis in particular has triggered a massive push towards digitalization in the economy. New systems have been implemented and networks strengthened in order to support a wide variety of working situations. However, the basic concern of companies remains the same: Not to create any defective products, no negative impacts on the environment, no accidents, no matter whether at the office or working at home.

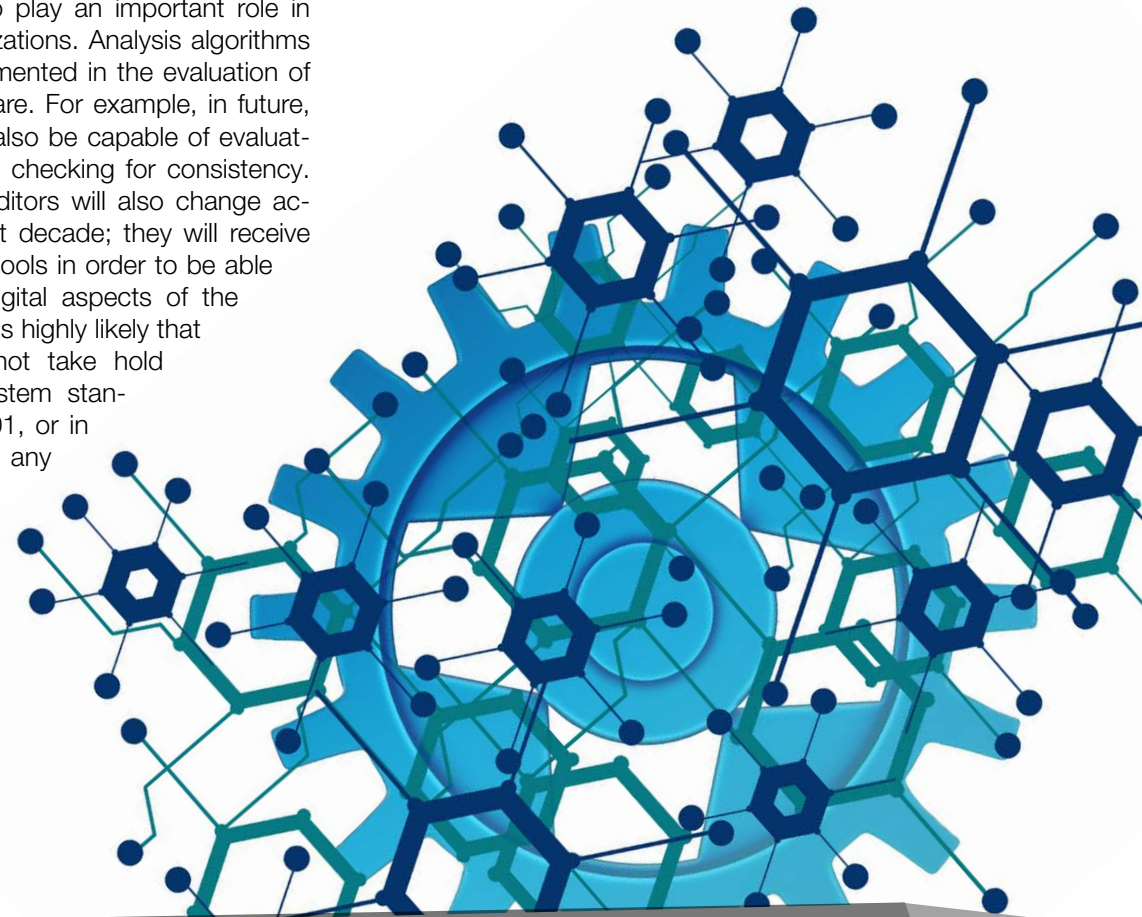
As a result of digitalization, processes have taken on a higher complexity. These processes are even harder for employees and customers to understand, and they have a harder time trusting them.

The management system standards contain no reference to the form in which systems are structured. In ISO 9001, for example, the words “digital”, “software” and “IT” are deliberately not mentioned. The requirements must be fulfilled regardless of the tool i.e. the digital or analogue platform.

Instead, it is to be expected that new standards and requirements will be developed for new technologies. Even today, standardization bodies are working on formulating requirements of blockchains or artificial intelligence. And rightfully so – for who wants to work blindly with a key technology whose properties one can barely analyze oneself?

Will computers become the better auditors?

Ultimately, it must also be taken into consideration that IT applications also play an important role in the evaluation of organizations. Analysis algorithms are already being implemented in the evaluation of IT applications or software. For example, in future, artificial intelligence will also be capable of evaluating text documents and checking for consistency. The role of (internal) auditors will also change accordingly within the next decade; they will receive support from intelligent tools in order to be able to better understand digital aspects of the management system. It is highly likely that this development will not take hold in the management system standards, such as ISO 9001, or in accredited certifications any time soon.



New requirements of quality managers?

So what does this now mean for the competences of system managers?

A key task of system managers will consist in integrating the rising demands into the processes and keeping these simple, lean and readily adaptable. This means that a high level of methodological knowledge and digital solution strategies will also be necessary. Some describe this as “Quality 4.0”.

In a digital world, system managers will also be required to manage the systematic approach not only for physical processes, but also for digital processes and in particular for the interfaces between the physical and digital world. And they will have to continue to develop their toolkit of methods accordingly: agile methods, digital apps and platforms as well as the basic principles of quality assurance in the area of IT are important for this purpose.

One core competence will continue to intensify – that which is traditionally described as “document control”. In future, information management and in particular structuring, approval processes and data management will take on greater importance within this field. Evaluations, analyses and the handling of data from a range of platforms in order to point out correlations and interdependencies will be important competences of system managers in all areas of expertise.

In practice this will encompass, to give an example, addressing the ERP or other central IT systems of the organization in greater depth. These kinds of systems represent the central interface in the company and thus also the central data sources for obtaining statements regarding processes. Here, quality managers should also play an active role in helping to shape these systems so that they can be optimally utilized to create value-adding processes, in the sense of data analyses and presentation.

In order to obtain relevant information on the management of processes, quality managers should be involved when it comes to the introduction of new IT systems to the company.

For quality managers to be able to fulfill this role, they need to be able to think systematically and in a networked manner, both at the organizational as well as the technical level.

Quality Austria will continue to enhance the certification programs in line with this need: Agile methods for transformation projects will be included in the curriculum.

Digital competences will be integrated into all areas. Methods will be imparted not just on paper, but with digital support too.

Data management (reading and evaluating data) as well as data quality will be essential for competent work, and will be expanded upon accordingly in training.

Quality managers must be prepared to collaborate at the forefront in the digital transformation of a company – who else understands the connections and interactions at play throughout the entire organization!



You may be deceived if you trust too much, but you will live in torment if you don't trust enough.

Frank Crane

How can we support you?

Take advantage of the **qualityaustria** offer – we will support you in aligning your strategy with your long-term goals.

If you have any questions regarding our offer, our Customer Service Center will be happy to help at tel.: +43 732 34 23 22 or office@qualityaustria.com.

