

AUDIT AND CERTIFICATION: WHAT DO USERS EXPECT?

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Experience with and expectations from External Auditors and Conformity Assessment Bodies (CABs)

A report on the ISO 9001 and ISO 14001 certification schemes in Australia and New Zealand

About the Author

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Pavel's research interests focus at the role of standards, self-regulation and certification in the current business environment and at sustainable operations. His work has received numerous international awards and has been published in peer-reviewed journals such as Journal of Business Ethics, International Journal of Production Economics or Journal of Cleaner Production. His book on Implementation of corporate social responsibility and corporate governance has been published by the British Standards Institution (BSi) as well as a newly updated version published by SAI Global Ltd. His current research projects include a study on ISO 9000 and ISO 14000 certification funded by the Joint Accreditation System of Australia and New Zealand (JAS-ANZ with Prof Amrik Sohal and Assoc Prof Daniel Prajogo from Monash University) and a study on Governance of Ecolabeling Schemes (with Prof Charles Corbett from UCLA). Pavel is also a member of Carbon Footprinting Working Group – a group that links operations management and life-cycle assessment research communities to study carbon related issues.

Study conducted by the Q21 Research Group, University of Canterbury and Joint Accreditation Systems Australia and New Zealand (JAS-ANZ)

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1. EXECUTIVE SUMMARY

This study aims to investigate organisational experience and satisfaction with external auditors and conformity assessment bodies (CABs) in the ISO 9001 and ISO 14001 certification schemes. This area has been overlooked in the literature and apart from anecdotal stories, there is little empirical evidence on this matter. To fill this gap, Q21 Research Group at the University of Canterbury, led by Associate Professor Pavel Castka and the Joint-Accreditation Scheme of Australia and New Zealand (JAS-ANZ) have joined forces and surveyed ISO 9001 and ISO 14001 certified organisations in Australia and New Zealand. The study looked into several facets of certification namely:

1. What drivers influence organisational selection of its conformity assessment body (CAB)?
2. What types of services do organisations expect from external auditors?
3. How do organisations evaluate a typical external audit and the service currently provided by their external auditors?
4. Why do organisations decide to change their conformity assessment bodies (CABs)?
5. How are organisations satisfied with external auditors and their CABs?
6. Are certified organisations aware that in order to protect an external auditor's impartiality, accreditation (ISO/IEC 17021) places limits around what external auditors can and cannot do? Are they aware of the distinction between auditing and consultancy?
7. What other ISO standards do organisations use to improve their quality/environmental systems?

Our results are based on 725 responses from Australian and New Zealand organisations certified against ISO 9001 and ISO 14001. This report includes a summary of findings for each of the seven aforementioned areas. It also reports on differences between Australia and New Zealand and differences between the ISO 9001 and ISO 14001 certification schemes. A summary of major findings include:

1. Reputation in the industry plays a key role in how organisations choose their conformity assessment bodies (CABs). For ISO 14001 certified organisations, the ability of CABs to provide integrated audit of several certificates is as critical as their reputation.
2. External auditors need to enhance compliance auditing by assisting their clients with learning and guidance toward continuous improvement. Organisations expect 'evidence' and a good balance of positives as well as negatives. These findings are similar to both certification schemes even though ISO 14001 certified organisations report slightly higher expectations than ISO 9001 certified organisations for continuous improvement approach.
3. In general, organisations in Australia and New Zealand evaluate positively the service they receive from external auditors. Especially auditing skills are viewed very positively. ISO 14001 organisations provide slightly lower scores than ISO 9001 certified organisations.
4. In both schemes, around 20% of organisations in our sample have opted to change their CAB. In New Zealand, 'offering more valuable services' seems to be the most dominant driver behind this change. In Australia, this issue is also important but also equally so 55% organisations have changed their CAB because 'they were difficult to deal with'. In the ISO 14001 certification scheme, senior management is the key driver – typically looking to integrate certifications and choosing to deal with a single CAB to manage their certifications.
5. Overall, organisations report high level of satisfaction with their CABs as well as external auditors
6. Around 30% of respondents are aware of ISO/IEC 17021. Managers also report clear understanding of the difference between auditing and consulting. However, they also communicate that external auditor should provide solutions.
7. Australian organisations report higher use of other ISO standards than NZ organisations (i.e. ISO 10002 for handling customer complaints, ISO 19011 for internal auditing or ISO 14031 for environmental performance evaluation). ISO 19011 is the most used standard out of the standards surveyed - almost 60% of Australian ISO 14001 certified organisations use this standard.

2. INTRODUCTION

Standardization and certification have become an integral part of global economy. Standards are recognised as facilitators of international and domestic trade by providing a common platform for exchange of goods and services. The last two decades have seen a phenomenal uptake of some standards: for instance, ISO 9001 standard for quality management system has been adopted in over 1 million of organisations in 145 countries. Past studies have provided substantial insights into this growth and described various facets of standardization and certification - such as understanding of the diffusion of standards (Corbett and Kirsch 2001), conceptualization of internal implementation processes (Balzarova and Castka 2008), evidence of the influence of standards to various aspects of firm's performance (Martinez-Costa and Martinez-Lorente 2003; Corbett, Montes-Sancho et al. 2005) or internal insights into standards' development (Castka and Balzarova 2008). However, one facet of standardization and certification remains quite overlooked: external auditors and conformity assessment bodies (CABs).

There is some anecdotal evidence suggesting that firms are 'tired' of certification (Lal 2004). Several journals, including ISO Management Systems published by ISO, argued that CABs are often perceived as too entrepreneurial and external auditors too inexperienced. Yet despite this anecdotal evidence (and despite the gossip amongst managers), there is little evidence and understanding of this phenomenon. Based on these observations, the study focuses on several facets of certification, namely:

1. What drivers influence organisational selection of its conformity assessment body (CAB)?
2. What types of services do organisations expect from external auditors?
3. How do organisations evaluate a typical external audit and the service currently provided by their external auditors?
4. Why do organisations decide to change their conformity assessment bodies (CABs)?
5. How are organisations satisfied with external auditors and their CABs?
6. Are certified organisations aware that in order to protect an external auditor's impartiality, accreditation (ISO/IEC 17021) places limits around what external auditors can and cannot do? Are they aware of the distinction between auditing and consultancy?
7. What other ISO standards do organisations use to improve their quality/environmental systems?

This study aims to answer the above questions and provides insights to certification professionals in order to assist them in improving their services. The professional audience includes JAS-ANZ assessors, external auditors, CABs as well as managers dealing with certifications in their organisations.

3. METHODOLOGY

3.1 Organisation selection criteria

A list of companies was selected from the JAS-ANZ register of certified companies. This register includes all companies certified against ISO 9001 and ISO 14001 standards. We have restricted the number of companies to those who (1) were based in Australia and New Zealand and (2) have a valid postal address. In Australia, a representative sample of organisations was chosen due to the large amount of certified organisations. The details about the sample are summarized in Table 3.1. Each company was sent a questionnaire to a person in charge of quality or environmental management systems.

Table 3-1 Sample statistics

	ISO 9001 (AU)	ISO 9001 (NZ)	ISO 14001 (AU)	ISO 14001 (NZ)
Total # of organisations selected for mail-out	1500	1055	1000	219
# of valid responses	276	237	169	42
Response rate	18%	22%	17%	19%
TOTAL RESPONDENTS	513		211	

3.2 Questionnaire

The questionnaire was created based on a thorough literature review of the topic. We have used previously tested questions and also added new questions. The questionnaire was reviewed by a selection of experts in the field and in consultation with several practitioners. The result was a 6-page questionnaire that provided data for two separate studies; this study and to the study on drivers, motivations and benefits from ISO 9001/14001 certification conducted by colleagues from Monash University.

3.3. Company profiles

In this section, we provide details of the sample for the study. This includes the industry sectors, organisational size, and positions of the respondents in their organisations.

Table 3-2 Industry Sectors

	ISO 9001 (AU)	ISO 9001 (NZ)	ISO 14001 (AU)	ISO 14001 (NZ)
Agriculture, Forestry and Fishing	4	15	0	6
Mining	8	6	12	2
Manufacturing	82	99	67	20
Electricity, Gas, Water and Waste Services	4	8	7	0
Construction	30	19	35	1
Wholesale Trade	18	6	1	0
Transport, Postal and Warehousing	9	5	4	4

Information Media and telecommunications	6	4	11	1
Rental, Hiring and Real Estate Services	8	1	1	0
Professional, Scientific and Technical Services	35	39	7	1
Public Administration and Safety	12	9	7	1
Education and Training	9	1	1	0
Health Care and Social Assistance	21	11	4	1
Arts and Recreation Services	1	1	0	1
Other Services	4	3	2	1
Missing values	25	10	10	3
TOTAL	276	237	169	42

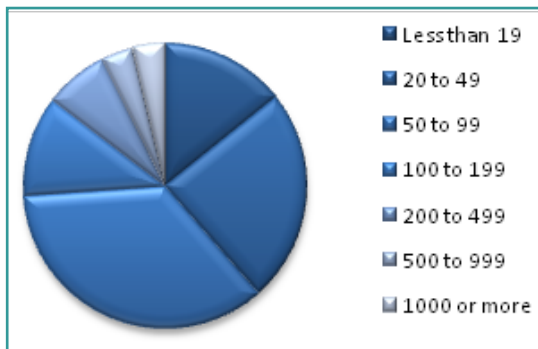


Figure 3-1 Organisational size (ISO 9001)

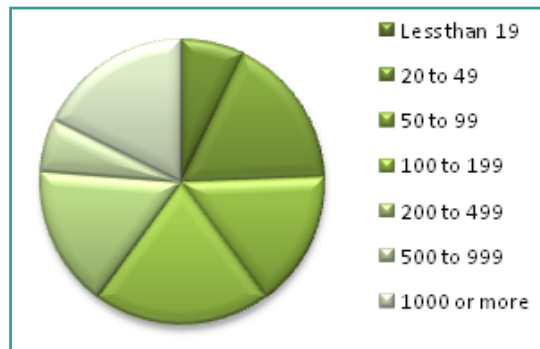


Figure 3-2 Organisational size (ISO 14001)

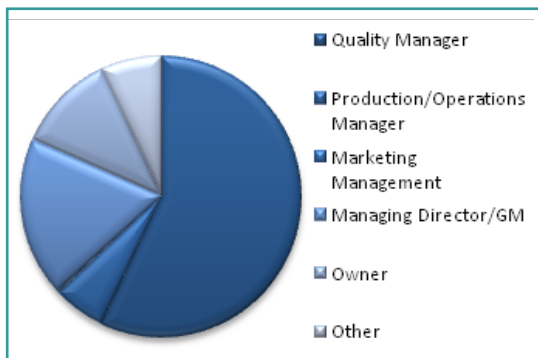


Figure 3-3 Respondents Positions (ISO 9001)

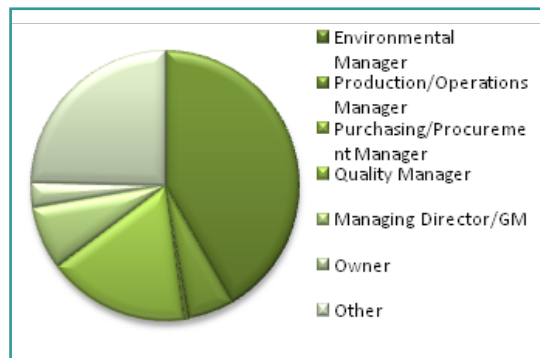


Figure 3-4 Respondents positions (ISO 14001)

4. KEY FINDINGS

4.1. Selecting Conformity Assessment Bodies (CABs)

Selection of a conformity assessment body (CAB) can be influenced by many factors; such as their reputation, reputation of their auditors, advice from other organisations etc. We offered 5 reasons and asked the respondents to indicate on a five-point scale (1=strongly disagree; 3=neutral; 5=strongly agree) to what extent each reason applies in their organisations.

The data received from ISO 9001 certified organisations suggests that 'reputation' is the most important factor in the selection of a CAB (Figure 4-1). In particular, reputation in the industry is very influential element in managerial decision-making. On the lower scoring side of the spectrum, the results suggest that 'competitive price' is not as influential as the reputation and the same can be concluded about CABs' ability to offer integrated audit services. However, these two issues should be seen from the bigger picture. For instance, pricing does matter when managers consider services from another CAB (see Section 4.4). Similarly, the ability of a CAB to provide an integrated audit of several certificates scores lower on average but it should be noted that not every organisation seeks multiple certificates.

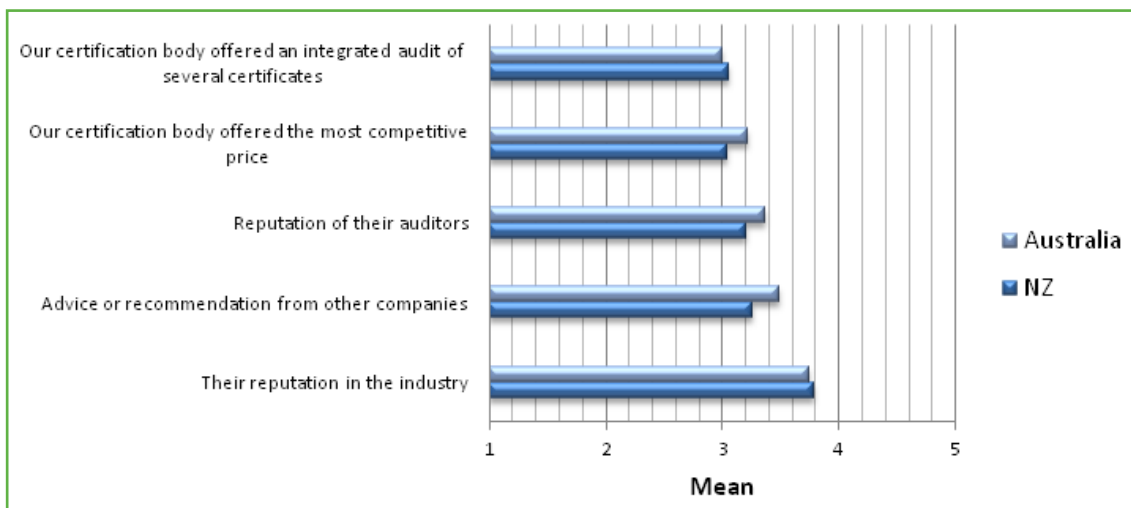


Figure 4-1 How do organisations select their Conformity Assessment Bodies (CABs)?

That a provision of integrated audits matters can be furthermore observed from the results of ISO 14001 certified organisations (Figure 4-2). 'An integrated audit of several certificates' and 'CAB's reputation in the industry' are the top scoring reasons, which dominate managerial decision making in the ISO 14001 certification scheme. The second tier of reasons comprises of CABs 'competence in environmental issues' and 'reputation of their auditors'. 'Recommendation from other companies' and 'competitive pricing' scored the lowest. However, in the case of pricing, it should be noted that organisations gain cost benefits by the integration of auditing services. Yet 'competitive price' alone has less influence than CABs' reputation and capability to provide integrated certification services.

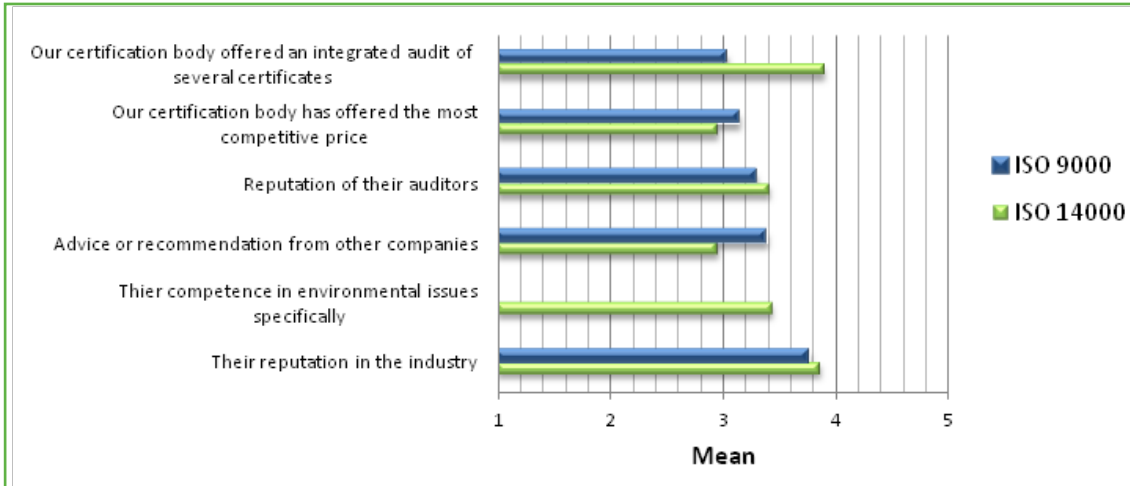


Figure 4-2 CAB selection - a comparison of ISO 9001 and ISO 14001 certified organisations

Finally, Table 4-1 presents a comparison how clients of major CABs have scored on the reasons for choosing their conformity assessment body. For this analysis, we only selected CABs that had more than 30 respondents in our sample. Table 4-1 presents mean scores for each reason and demonstrates that the ranking of the reasons is almost the same as in the general sample. For instance, all CABs' clients apart from CAB 1's clients, report that in general 'CABs reputation in the industry' was the most influential reason for their choice. Other rankings show similar consistency.

Table 4-1 How organisations select their CABs? A comparison of major CABs in the ISO 9001 certification scheme

	Rank in the general sample	CAB 1	CAB 3	CAB 6	CAB 7	CAB 9	CAB 11	CAB 27
Their reputation in the industry	1	3.26	3.95	3.66	3.75	3.68	4.07	4.05
Advice or recommendation from other companies	2	3.59	3.35	3.38	3.55	3.13	3.60	3.31
Reputation of their auditors	3	3.59	3.44	3.09	3.47	3.17	3.12	3.22
Our certification body offered the most competitive price	4	3.52	3.33	2.69	3.39	3.13	3.12	2.89
Our certification body offered an integrated audit of several certificates	5	3.09	3.11	2.61	3.03	2.83	2.95	2.86

NOTE: Bold numbers indicate that the ranking of an individual CAB is the same as the ranking of the general sample

4.2 Expectations from External Auditors

The research into external auditing suggests that organisations in general want external auditors to focus more on continuous improvement and less on pure compliance auditing against the standard. We followed this general direction and aimed to understand what Australian and New Zealand organisations expect from external auditors. We presented 9 items in the questionnaire, which asked about various facets of auditing – from both compliance as well as continuous improvement standpoints. We asked the respondents to indicate on a five-point scale (1=strongly disagree; 3=neutral; 5=strongly agree) to what extent each of the items applies in terms of their expectations from their external auditor.

The results suggest that on average organisations indeed expect the service more on the continuous improvement side (Figure 4-3). In particular, managers expect a balanced feedback ('the external auditor should highlight the positive as well as negative aspects of factors being audited'). The key is a collection of 'evidence', which should assist in organisational learning. The items of compliance score the lowest. Compliance is rather seen as the lowest common denominator by the respondents and the value-adding is clearly in external auditors' contribution to continuous improvement. This is true for both certification schemes and as Figure 4-4 demonstrates, ISO 14001 certified organisations have even higher expectations for continuous improvement from their external auditors than their ISO 9001 counterparts.

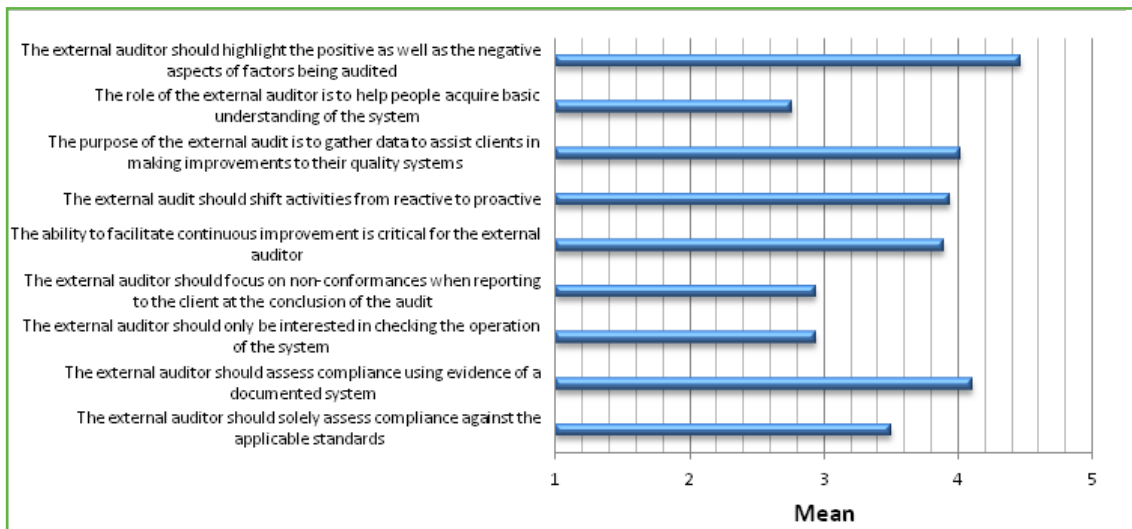


Figure 4-3 The role of external auditor (ISO 9001)

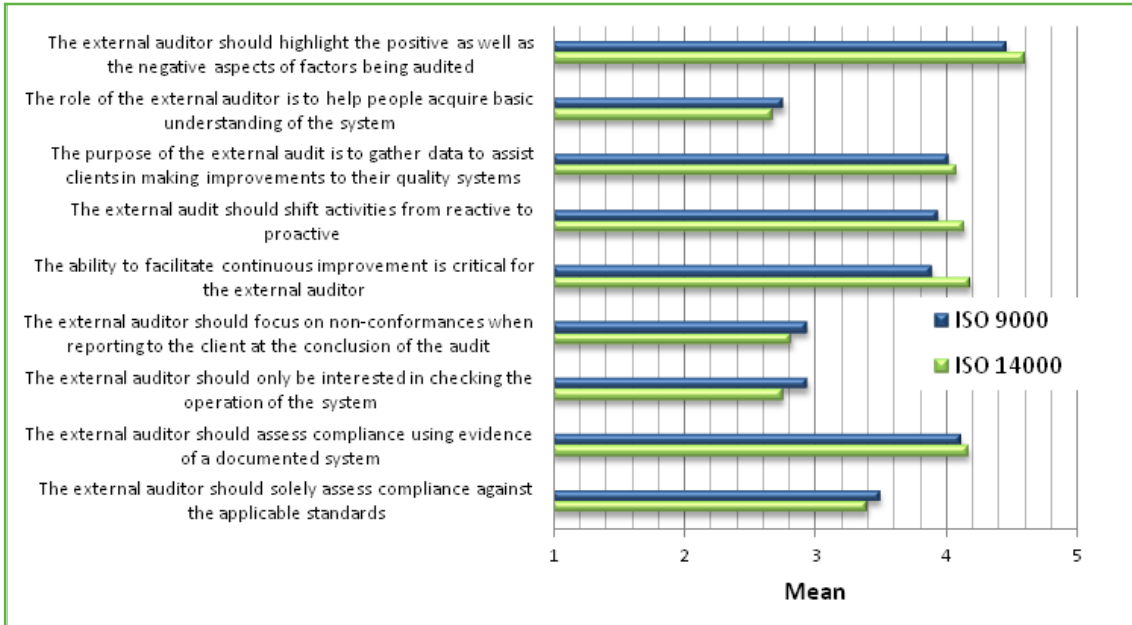


Figure 4-4 The role of external auditor (a comparison of ISO 9001 and ISO 14001)

4.3 Organisational experience with external auditors

In this set of questions, we have asked organisations to share and assess their experience with external auditors. Specifically, we have asked them to evaluate a typical external audit in their organisations in seven areas (see the statements on the left hand side of Figure 4-5) on a five-point scale (1=strongly disagree; 3=neutral; 5=strongly agree). Figure 4-5 depicts the results for ISO 9001 certified organisations. On average, the results show a high level of satisfaction across all of the seven areas with mean scores over 4. The highest score is reported in relation to auditors' abilities for conducting audits ('The external auditor(s) are very knowledgeable about auditing') as well as their commitments to quality and ethical standards. The lowest score is related to 'industry experience of auditors'. It should be noticed however that even though this is the lowest score, the score is still high (mean=4) meaning that on average organisations 'agree' that the external auditor had 'the necessary industry experience to effectively audit' the organisation. We also looked more deeply into the data to determine, which sectors (if any) have scored on average lower in the "industry experience" dimension. We found significance in some sectors yet the low response rate did not allow us to draw any significant conclusions.

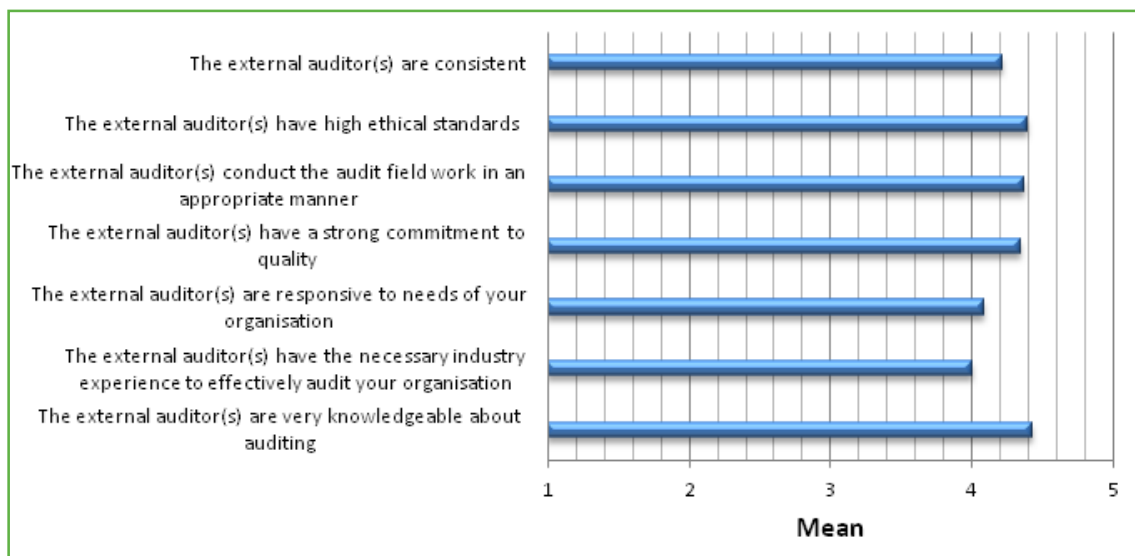


Figure 4-5 Experience with external auditors (ISO 9001)

The results from ISO 14001 certified organisations show similar patterns (Figure 4-6). In general ISO 14001 organisations are satisfied across all seven areas with all mean scores exceeding 4. Even though the results suggest high levels of satisfaction with external audits, ISO 14001 organisations are slightly less satisfied with external audits in comparison to ISO 9001 organisations across all but one area - 'the necessary industry experience' of external auditors. Here the data suggests that ISO 14001 organisations were on average better matched with industry experienced auditors than their ISO 9001 counterparts.

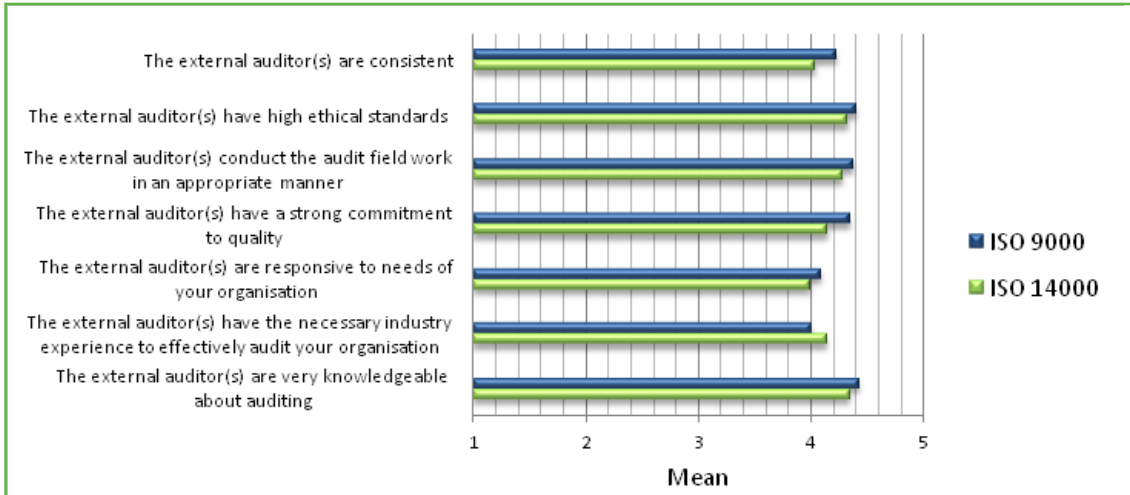


Figure 4-6 Experience with external auditors (ISO 9001 and ISO 14001)

Finally, we present the evaluation of a typical external audit based on respondents' conformity assessment body (CAB). The results in Table 4-2 show the mean levels across all 7 areas. Once again we only present results from CABs that had more than 30 respondents in our sample. In general, it can be concluded that all of the CABs are viewed positively on average. There are differences though. Most notably, CAB 3 is the high achiever with ranking the top in 5 out of 7 areas.

Table 4-2 Experience with external auditors - a comparison of major CABs in the ISO 9001 certification scheme

	CAB 1	CAB 3	CAB 6	CAB 7	CAB 9	CAB 11	CAB 27
The external auditor(s) are very knowledgeable about auditing	4.53	4.60	<i>4.24</i>	4.25	4.26	4.50	4.40
The external auditor(s) have the necessary industry experience to effectively audit your organisation	3.91	4.11	<i>3.73</i>	3.91	4.00	3.91	4.01
The external auditor(s) are responsive to needs of your organisation	4.24	4.17	<i>3.94</i>	4.03	4.03	4.00	4.12
The external auditor(s) have a strong commitment to quality	4.44	4.47	4.21	<i>4.16</i>	4.32	4.30	4.34
The external auditor(s) conduct the audit field work in an appropriate manner	4.38	4.49	<i>4.23</i>	4.38	4.32	4.32	4.38
The external auditor(s) have high ethical standards	4.50	4.49	4.36	<i>4.16</i>	4.53	4.30	4.39
The external auditor(s) are consistent	4.32	4.36	3.97	4.06	4.15	<i>3.93</i>	4.26

NOTE: Top ranking CAB in bold; bottom ranking CAB in italics.

4.4 Why do organisations change their conformity assessment body (CAB)?

In this part of the study we aimed to understand factors that drive organisations to change their conformity assessment bodies (CABs). We have provided a list of 7 factors (listed in Figure 4-7) and asked the respondents to indicate to what extent those factors contributed to the change of their CAB. A 5-point scale was used (1=strongly disagree; 3=neutral; 5=strongly agree). In both certification schemes, around 20% of organisations in our sample have indicated that they had changed at least once their conformity assessment body (CAB).

Figure 4-7 provides the mean score of the 7 drivers and compares the results between Australia and New Zealand. In Australia, the mean levels of 6 out of seven 7 drivers are almost identical. This means that there are no drivers that would explain the change in the entire population of organisations. The only exception is the driver 'the external auditor left our previous CAB and we have followed him/her', which was observed in a small number of organisations.

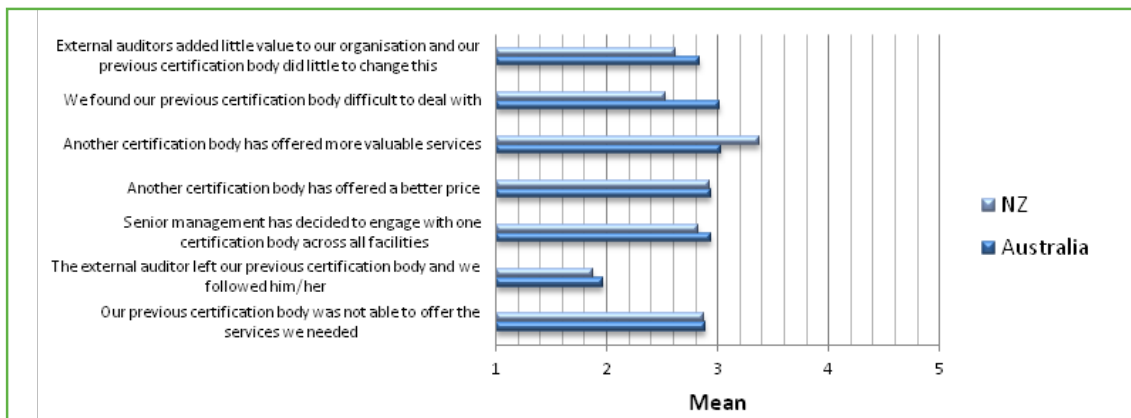


Figure 4-7 Drivers contributing to changes of CABs (ISO 9001)

Noticeable is the difference between Australia and New Zealand – especially in terms of the role of CABs' in this change. Firstly CABs in New Zealand seem to be more customer focused as the lower mean score for 'we found our certification body difficult to deal with' suggest. Secondly, New Zealand's CABs seem to be also more proactive – the respondents indicate the highest score for the driver 'another certification body has offered more valuable services'. In Australia, the mean score for the latter driver is significantly lower.

Figure 4-8 provides a different angle on the importance of each driver to the change of CAB. This time, we aggregate the reasons for change to determine whether the driver was influential or not. We assign value=1 to organisations that have reported the driver to be influential and value=0 to organisations, where the driver was seen as 'neutral' or 'not important'. The results in Figure 4-8 show the percentage of organisations that have reported each factor as being influential. For instance, in New Zealand 70% of organisations that changed their CAB did so because they found another CAB that offered more valuable services. Similarly, in Australia around 55% of organisations changed their CAB because of perceived difficulties with their services.

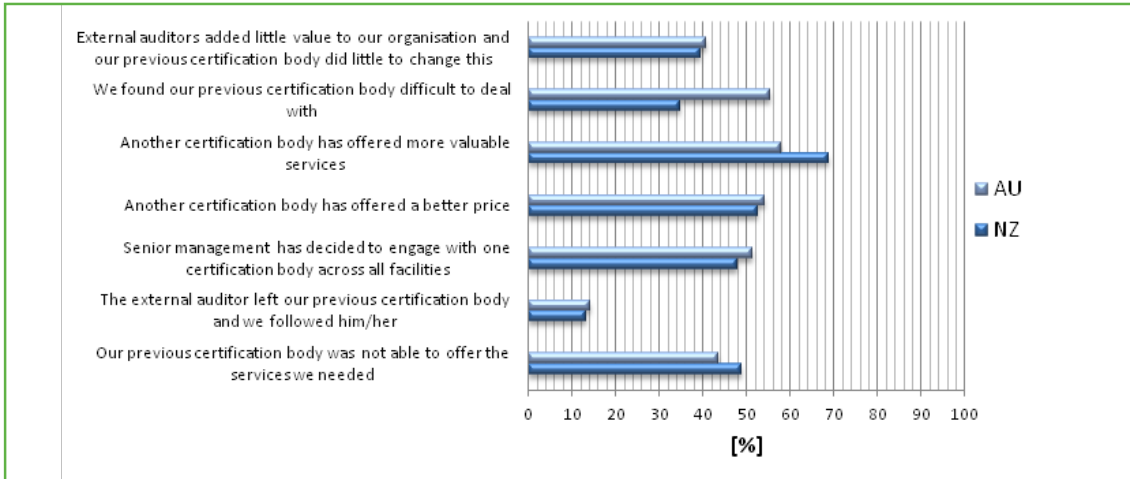


Figure 4-8 Explanation of the drivers contributing to changes of CABs (ISO 9001)

Figure 4-9 shows a comparison between the ISO 9001 and ISO 14001 certification schemes. The score again represents the percentage of organisations that found the driver influential. We can observe significant differences between these two certification schemes in terms of the drivers for change of CABs. The highest scoring driver in the ISO 14001 certification scheme is 'senior management has decided to engage with one certification body across all facilities', followed by 'another certification body has offered more valuable services' and 'another certification body has offered a better price'. These top drivers indicate that organisations are streamlining their certifications as part of the ISO 14001 certification very carefully. More valuable service and better pricing is typically gained through integration of certifications and partnering with a single CAB across all facilities.

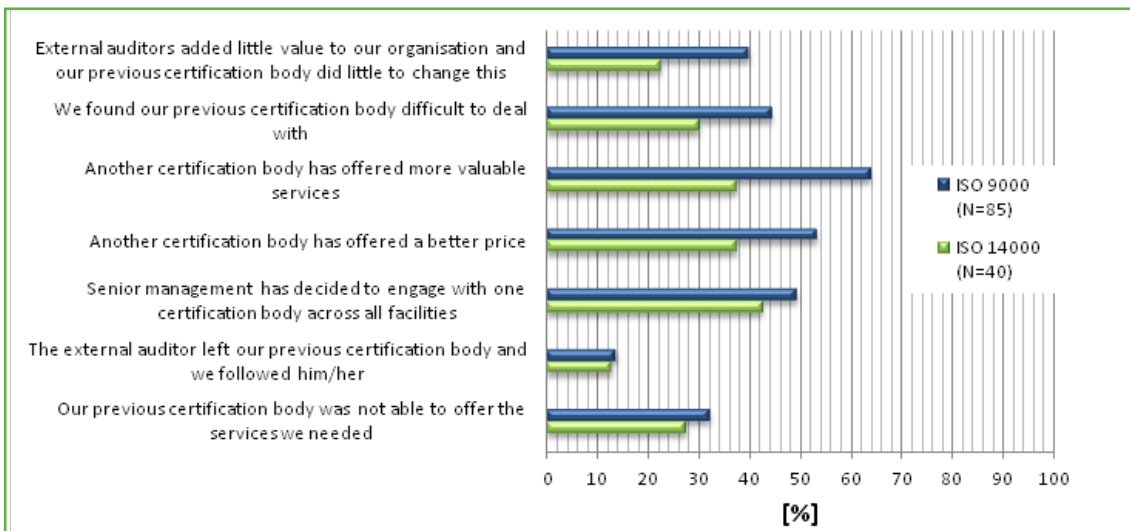


Figure 4-9 Explanation of the drivers contributing to changes of CABs (a comparison of the ISO 9001 and ISO 14001 certification schemes)

4.5 Satisfaction with Conformity Assessment Bodies and External Auditors

In this section of the questionnaire, we asked the participants to rate their satisfaction with their current conformity assessment bodies (CABs) and external auditors. On a five-point scale from 1 to 5 (1=strongly disagree; 3=neutral; 5=strongly agree), the respondents rated two questions: 'we are satisfied with the overall service of our certification body' and 'we are satisfied with the overall audit performance of the external auditor(s)'. As shown in Figures 4-10 and 4-11, the levels of satisfaction are high. For instance, in the ISO 9001 certification scheme, 82% of organisations in Australia and 87% organisations in New Zealand strongly agree or agree with the statement related to the satisfaction with their CAB; 86% and 89% of organisations ranked positively the overall audit performance of their external auditor(s).

"We are satisfied with the overall service of our certification body"

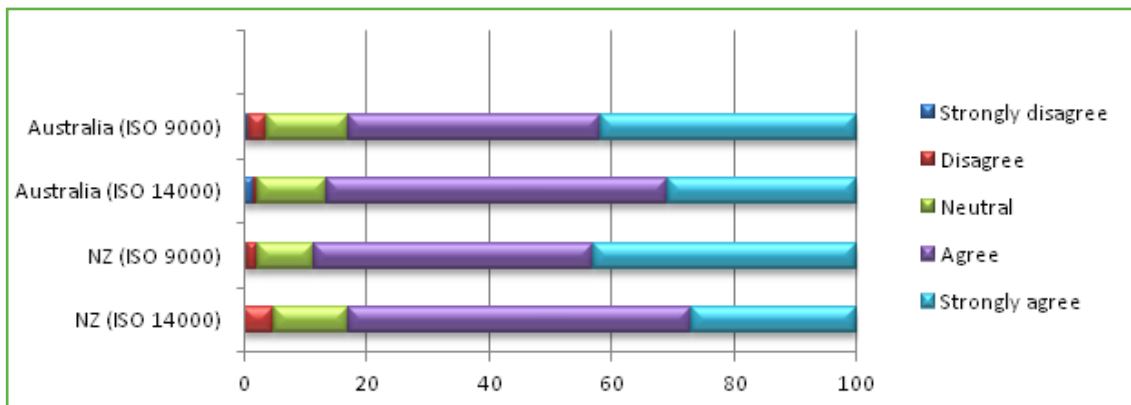


Figure 4-10 Satisfaction levels with CABs

"We are satisfied with the overall audit performance of the external auditor(s)"

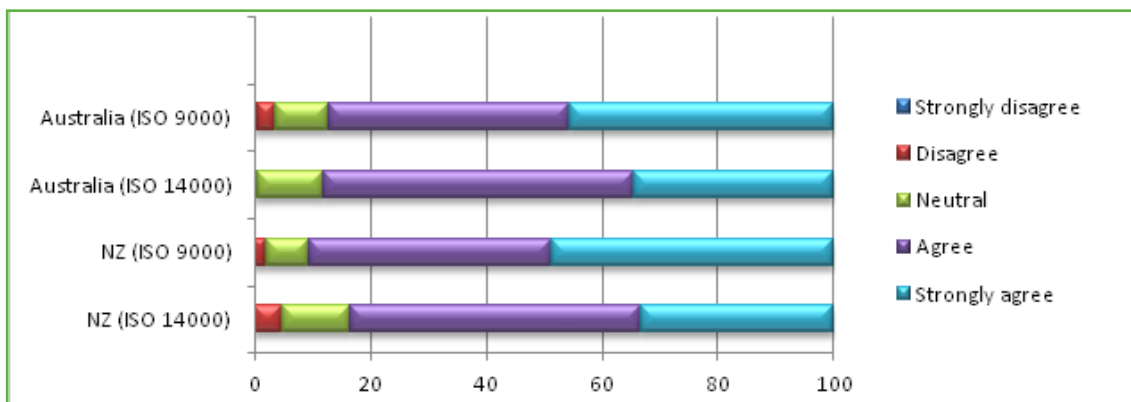


Figure 4-11 Satisfaction levels with external auditors

Finally, Table 4-3 presents the mean score results of the major CABs in Australia and New Zealand. The results here are even closer than the previously presented results on external audits (Table 4-2). In fact the differences between the results of top 5 scorers are negligible. There are two CABs (6 and 11) who are slightly lagging behind the Top 5. In general this means that none of the major CAB can be singled out as significantly over- or under-performing.

Table 4-3 Satisfaction levels of the major ISO 9001 CABs

	CAB 1	CAB 3	CAB 6	CAB 7	CAB 9	CAB 11	CAB 27
We are satisfied with the overall service of our certification body	4.26	4.26	3.97	4.38	4.29	4.02	4.30
We are satisfied with the overall audit performance of the external auditor(s)	4.44	4.41	3.94	4.41	4.29	4.16	4.42

4.6 Awareness of ISO/IEC 17021: impartiality of external auditors

Recent debates amongst quality professionals suggest that the satisfaction with certification schemes could be influenced by the very fundamental building block of certification: by the need for impartiality of external auditors. In order to protect and ensure an external auditor's impartiality, accreditation (ISO/IEC 17021) places limits around what external auditors can and cannot do. The central issue here is the distinction between auditing and consultancy: auditors should audit but not consult.

In our survey, we investigated whether organisations understand this 'limitation'. We did it at two levels. Firstly, we asked the respondents about their general awareness of ISO/IEC 17021. Our aim here was to understand whether organisations are at least aware of the existence of this fundamental standard. We assumed that the levels of awareness would be moderate as this standard is aimed at CABs and not necessarily at individual organisations. Secondly, and given the above assumption, we asked about the key content of the standard (i.e. the distinction between auditing and consulting). The aim here was to assess practically whether organisations (i) understand the difference between auditing and consulting and (ii) whether they accept this distinction in practical terms.

The data reveals that around 30% of managers are aware of ISO/IEC 17021 (Figure 4-12). This is a reasonable number given the fact that this standard is aimed at Conformity Assessment Bodies (CABs) and their auditors but not directly at organisations. The awareness about this standard is higher amongst ISO 14001 certified organisations.

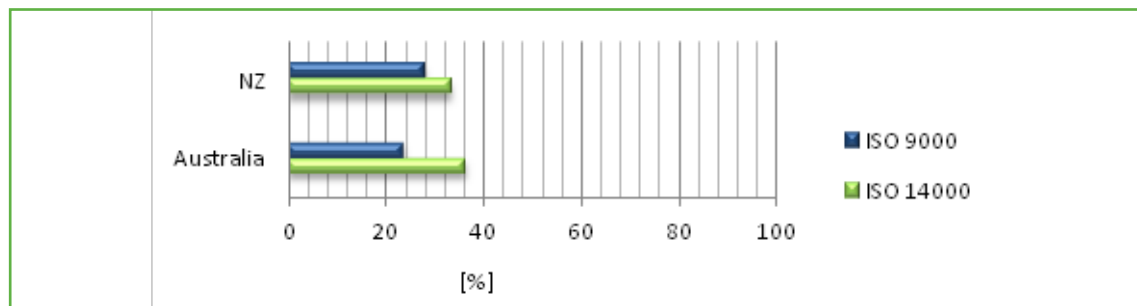


Figure 4-12 Awareness of ISO/IEC 17021 standard

The understanding and acceptance of the difference between auditing and consulting was assessed by two items in the questionnaire. Firstly, we asked the respondents to indicate their understanding of the difference between auditing and consulting. Secondly, the respondents were asked whether the auditor should be pointing to the problem as well suggesting the solution (testing the acceptance of the auditing versus consulting issue). The respondents answered on a 5-point scale (1=strongly disagree; 3=neutral; 5=strongly agree).

The results are shown in Figure 4-13 and suggest that organisations have high level of understanding of the difference between auditing and consulting. The results are similar in both certification schemes. The acceptance is a different matter: here the mean levels oscillate between agreement and neutral results. This suggests that a significant number of organisations do expect consultative type of services despite this being outside of the scope of certification schemes. Even though this cannot be concluded across all organisations, this finding should not be underestimated. Our more in-depth qualitative research with NZ based companies revealed a similar pattern: some organisations do expect consulting from their external auditors otherwise the value of external auditing is questioned. We will return to this issue in the conclusion part of this report where we offer some solutions to this problem.

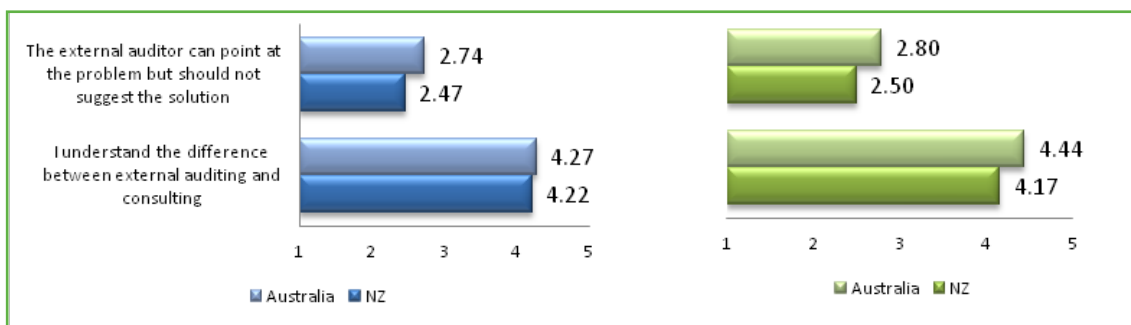


Figure 4-13 Issues related to ISO/IEC 17021 auditing and consulting (ISO 9001 left and ISO 14001 right)

4.7 Awareness and use of other standards and guidelines

The survey also investigated the use of other ISO standards. A worldwide debate surrounding the use and uptake of other ISO standards suggests that those standards are lagging behind ISO 9001/14001. We have selected a mix of ISO standards for the investigations, namely:

- ISO 10001 and ISO 10002 for Customer Satisfaction
- ISO 19011 for Internal Auditing
- Sustainability standards - ISO 14064 for GHG emissions; ISO 14040 for Life Cycle Assessment and ISO 14021 for environmental performance evaluation.

The data suggests that ISO 10001 and 10002 are only marginally used by managers in Australia and New Zealand. ISO 19011 seems to be more used - with 38.9% organisations in Australia (28.9% in New Zealand) using ISO 19011 to guide their auditing practices (Figure 4-13). Figure 4-14 shows that ISO 19011 is more used amongst ISO 14001 certified organisations. Here almost 60% of ISO 14001 organisations in Australia report that they use the standard. ISO 14064 results show that this relatively recent standard is gaining its momentum and about 20% of organisations employ this standard.

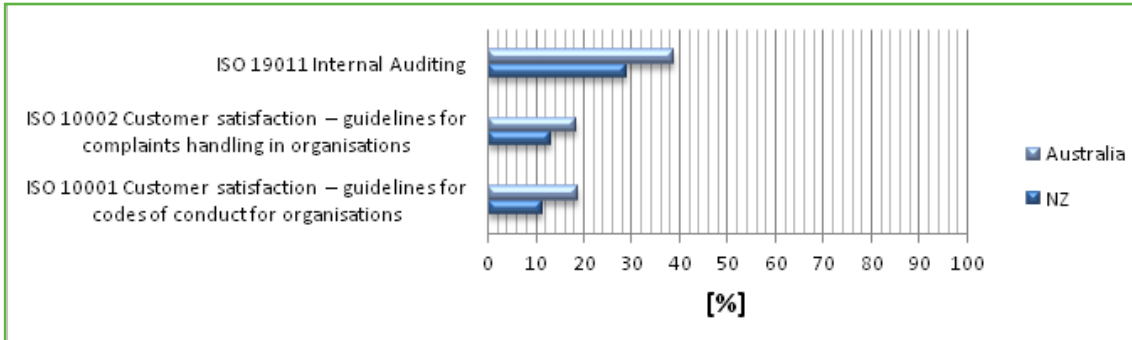


Figure 4-13 The use of other ISO standards (report from ISO 9001 certified organisations)

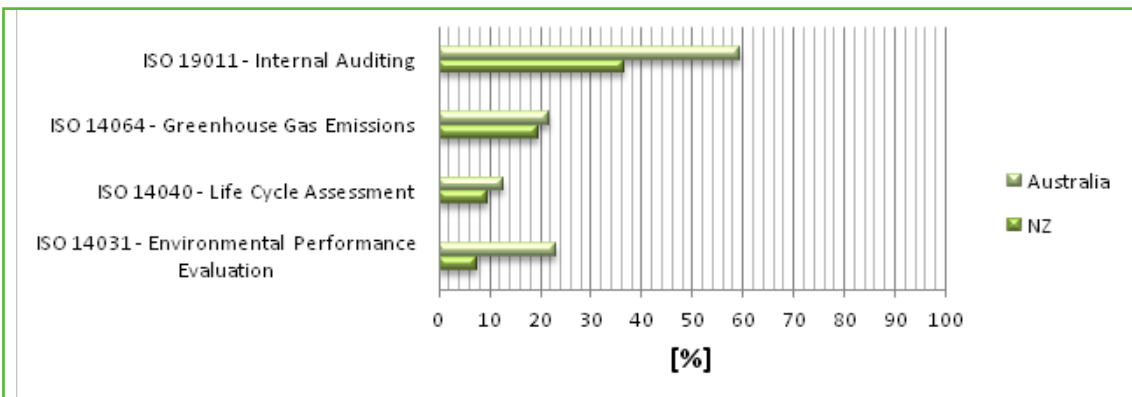


Figure 4-14 The use of other ISO standards (report from ISO 14001 certified organisations)

Overall, it seems that Australia is ahead in the uptake of the above mentioned standards. Australian managers report higher use of all of the standards that were investigated in this study. In particular the difference of usage of ISO 19011 and ISO 14031 is worth noticing.

5. CONCLUSIONS

This study contributes to the existing literature on ISO 9001 and ISO 14001 by providing insights into previously overlooked areas of external audits and conformity assessment bodies (CABs). We provide useful evidence on several facets of external auditing and CABs, namely reasons leading to CAB selection, reasons leading to changes of CABs and organisational expectations from external auditors. We also report on satisfaction levels with external auditors & CABs and provide an insight into the uptake of other ISO standards.

The study reports that the *satisfaction with external auditors and conformity assessment bodies (CABs)* is very high. We also demonstrate that the results are very consistent across various CABs in Australia and New Zealand and conclude that based on the data from this study, there are no CABs that can be singled out as outperformers or underperformers. We can also conclude that every CAB has got some clients less impressed by external auditors and some more impressed. But on average clients are satisfied and report positively on their experience with external auditors (see Table 4-2). All of this suggests that the governance mechanism of the ISO 9001 and ISO 14001 certification schemes is sound and ensures consistency of external auditors' performance across accredited CABs.

As per the expectation from external auditors, this study reports that the *respondents expect external auditors to contribute to continuous improvement and learning* of their organisations. This finding is hardly surprising. It is consistent with previous academic studies on this topic (i.e. Power and Terziovski, 2007) and probably also with observations that most auditors and quality practitioners made during their practice. Yet we provide an empirical account on this issue and demonstrate that the preference for continuous improvement is significant (see Figure 4-4). Furthermore, we show that the number of organisations that seek almost consultative type of service is not negligible (see Section 4-7). It seems that the certification is balancing on the edge between auditing and consulting. This has important consequences for the certification scheme as well as external auditors. Firstly, it means that both auditors and CABs need to continue raising general awareness amongst managers and the wider public on the difference between auditing and consulting. Secondly, all interested parties should continue to improve value-adding of the certification by enhancing compliance auditing with a strong focus on continuous improvement elements. Such efforts should be centred around provision of 'evidence' and a good balance of 'positives as well as negatives' (see Section 4-2 for more insight). The feedback from the respondents shows that a lot of these practices are already established in both certification schemes.

This study also highlighted that *reputation* is the key driver in the selection of a conformity assessment body (CAB). In view of this finding, CABs need to carefully preserve their reputation to remain successful, which is an important controlling mechanism of any certification scheme. It would be useful to consider reputational ranking of CABs to furthermore navigate managerial as well as consumer decision making. This issue may not be as important in the ISO 9001/14001 certification schemes because both standards are by large B2B standards where managers can get relevant feedback from their industry networks. Yet for consumer related standards (i.e. various eco-labels), the reputation of a CAB is much more difficult to ascertain. Here, such 'reputational rank' would certainly be beneficial and a lot can be drawn from the findings of this study.

Organisations do change their CABs and we consider this a healthy issue of the certification scheme. This fact demonstrates that the market place exerts pressure on CABs and that CABs need to continuously improve their offerings to remain attractive for organisations. The data also reveals that organisations rationalize and integrate their certifications, for instance by selecting one certification body to audit multiple facilities or by integrating audits for quality and environmental certificates. The future will probably see more integration of various standards (i.e. integration of ISO 14064 with ISO 14001) and there will be more pressure on CABs to provide integrated services.

Finally, it seems that the *uptake of other ISO standards is limited*. This is especially visible in New Zealand. The global diffusion data for ISO 9001 and ISO 14001 certifications show that both Australia and New Zealand are amongst the world largest adopters of ISO 9001 (after the correction for GDP; Corbett and Kirsch, 2001). But in both countries, the adoption of ISO 14001 is lagging behind. Similarly, the standards that we have investigated in this study (ISO 19011, ISO 10001 etc) are lagging behind the worldwide uptake. This brings forward an important question: how can we explain this trend? Though we cannot answer this question based on the data from this study, we do encourage further debate on the use of other ISO standards amongst Australian and New Zealand organisations. At the end of the day, the national standards bodies put a lot of effort in the development of new standards and we should understand how useful these initiatives are.

6. REFERENCES

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