BUSINESS ASSURANCE

THE NEW ISO 9001 & ISO 14001 REQUIREMENTS

4.1 - Understanding the organisation and its context

DEAR READER,

As the International Standardisation Organisation (ISO) is moving into the final stages of its management system standard revision, companies are getting ready to comply with the new versions of ISO 9001 and ISO 14001. The High Level Structure (HLS) already promises alignment among the standards to make implementation easier for companies and organizations with management systems certified to multiple standards.

As ISO is moving to improve how their standards support companies in building sustainable business performance, the big question for certified companies and organizations seems to be how they will meet the new requirements.

In its first release, our ViewPoint Espresso focuses on Requirement 4.1 "Understanding the organisation and its context." When asking customers to what extent they think they are already compliant with the new ISO 9001 and/or ISO 14001 requirement, 16% of the respondents answer that they are fully compliant; those evaluating their situation to be somewhat compliant number 43%. What is behind these numbers and how are these companies moving to close the gap? For a quick insight, turn the page to see what we found out.

FACT BOX

THE VIEWPOINT ESPRESSO

■ The Viewpoint Espresso is our way of sharing with you what your peers think and how they are moving on hot topics. Our hopes are that what we share may trigger some curiosity, improved understanding and possibly action on select topics.

■ This is an extended initiative of ViewPoint, our customer community. While the main ViewPoint surveys provide in-depth analyses, the ViewPoint Espresso are meant to be more agile, providing a concentrated injection of insight.
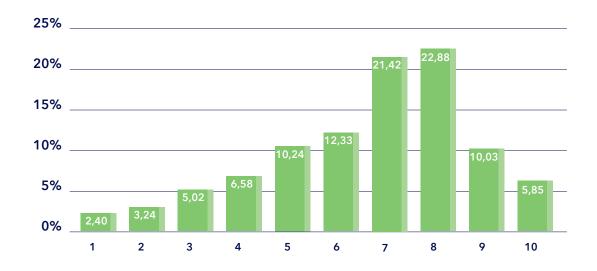
THE REQUIREMENT IN FOCUS

4.1 - UNDERSTANDING THE ORGANISATION AND ITS CONTEXT
Currently, the ISO DIS 9001:2015 and ISO DIS 14001:2015 at clause 4.1 state: "The organisation shall determine external and internal issues that are relevant to its purpose and its strategic direction and that affect its ability to achieve the intended result(s) of its management system."

ARE COMPANIES ALREADY COMPLIANT WITH 4.1?

ON A SCALE 1 TO 10, WHERE 1 IS "NOT COMPLIANT AT ALL" AND 10 IS "FULLY COMPLIANT", TO WHAT EXTENT DO YOU CONSIDER YOUR ORGANISATION ALREADY COMPLIANT WITH SUCH A REQUIREMENT?

Rating	Percentage
1	2,40
2	3,24
3	5,02
4	6,58
5	10,24
6	12,33
7	21,42
8	22,88
9	10,03
10	5,85

WHAT ARE THEY SAYING?
- 16% of the respondents think they are already fully compliant to this future standard requirement (respondents with rating 9 and 10). There is a difference in perceived compliance to ISO 14001 (21%) and ISO 9001 (14%).
- Those who think they are somewhat compliant number 44% (respondents with rating 7 and 8).
- 17% believe they are far from being compliant (respondents with rating 1 to 4). Again there is a gap between ISO 14001 (11%) and ISO 9001 (20%).

WHAT DO WE THINK?

Clause 4.1 in the High Level Structure (HLS) is intended to drive a relatively "high level" (strategic) understanding of internal and external issues that influence or can influence the organization. The results reflect that such thinking and knowledge is already somewhat captured by organizations, but also indicates that for many a structured approach is not fully in place.

When it comes to the gaps in readiness between compliance to the quality versus the environmental management system standard, it is probable that ISO 14001 certified companies consider external issues in the context to be mainly related to regulatory requirements and thus a higher degree of control.

Certain industry sectors are more regulated than others, with strong enforcement and follow-up by authorities. Other companies are hardly affected by regulations as their total external environmental impact is limited. Companies facing such conditions may feel they already have this under control and fulfill new requirements.

For certain companies certified to the quality standard the new requirement will be perceived to be more wide and complex. This is also because they cover the whole organization and their core processes. Therefore, both external and internal influences can be more extensive and difficult to capture in a structured and systematic way.

HOW WILL COMPANIES MEET 4.1 IN THE FUTURE?

HOW DO YOU PLAN TO MEET THIS REQUIREMENT IN THE FUTURE? MARK THE INITIATIVE(S) THAT YOUR ORGANISATION WILL PROBABLY IMPLEMENT (MULTIPLE ANSWERS ARE ALLOWED).

	%
By discussing the context during the management review meeting	59,9
Through meetings with the proper functions (e.g. marketing, purchase, sales, HR, HSE, etc.) where context is periodically analysed and discussed	44,5
By running a risk assessment on external and internal issues	38,4
By running SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis at a given frequency (e.g. every year)	30,3
By providing evidence that context is analysed during the strategic planning process or by showing that is already embedded into the strategy- or tactical plan documents	27,6
Through a defined, structured and documented process looking at external (e.g. political, economic, legal, etc.) and internal issues	27,4
By running/buying a market analysis of the external context	7,0
Don't know at this stage	17,9

WHAT ARE THEY SAYING?
The top 3 initiatives that companies say they will implement to satisfy the requirement to understand the internal and external issues that can influence their company are:
1.   Management review meetings (60%)
2.   Meetings with functions (45%)
3.   Risk assessment (38%)

While there are preferences, most companies report that they will engage in a mix of the initiatives. When comparing initiatives targeting quality versus environmental, the top 3 list does not change much. Hence, no significant difference between the two standards when it comes to preferred actions overall.

However, we do see a significant difference among those respondents that are still not certain of how they will move to ensure compliance: 20% for quality and 15% for those certified to the environmental standard.

Respondents were also asked to list "other initiatives", and the preferred one was Internal Audits, especially to address the internal context.

WHAT DO WE THINK?
The 3 top initiatives our respondents intend to undertake in order to understand the context of their organization are: management review meetings, meetings with different functions within their organization, and risk assessments on external and internal issues. However there were also other initiatives with high scores, showing that they are likely to use a mix of approaches.

Although 4.1 is a new requirement, most users will not consider this be a radical change. They should also recognize such knowledge to be crucial to establish an effective management system. Many companies will already have internal processes established, more or less formalized, to capture and analyse information to understand key factors influencing their business. The need for a formal and documented approach will probably be perceived differently dependent on various factors such as company size etc. This could also explain the mix of actions chosen.

FINAL THOUGHTS

Understanding the influencing factors is crucial to make a proper fact based risk evaluation (Ref. HLS clause 6.1) and to build a management system that is efficient and able to secure planned intended outcome. The biggest challenge will normally be to understand and analyze external issues that influence the business. A good first step is to review and evaluate relevant information already available. Such actions can include various company functions such as market/ sales, design, purchasing, finance, legal, HR, etc.

This process cannot be a one-off activity but needs to be recurring to adapt to changing conditions. Although not an explicit requirement, a documented output will in many cases be recommended to run a consistent and repeatable process.

The external context for companies will vary a lot depending upon several factors, e.g. business sector, size, geographical location, degree of regulation, competitive market, etc.

"Understanding the organisation and its context" is a concept adapted from ISO 31000, and the below guidance is copied from this standard:

Understanding the company's external context can include, but is not limited to:
- the social and cultural, legal, regulatory, financial, technological, economic, natural, demographic situation and competitive environment, whether international, national, regional or local;
- key drivers and trends which can have an impact on the objectives of the organization; including customers changing needs;
- relationships with, and perceptions, values and expectations of, external interested parties.

Understanding the organization's internal context can include, but is not limited to:
- governance, organizational structure, roles and accountabilities;
- policies, objectives and the strategies that are in place to achieve them;
- capabilities, understood in terms of resources and knowledge (e.g. capital, time, people, processes, systems and technologies);
- information systems, information flows and decision making processes (both formal and informal);
- relationships with, and perceptions and values of, internal stakeholders and the organization's culture;
- standards, guidelines and models adopted by the organization;
- the form and extent of contractual relationships.

SURVEY METHODOLOGY

995 qualified quality and environmental management system experts completed the online survey between February 23 to March 1, 2015.
Respondents were drawn from ISO 9001 and/or ISO 14001 companies certified by DNV GL.
Experts surveyed span around 40 countries and all industrial sectors
- 3% Primary
- 63% Secondary
- 34% Tertiary

DEMOGRAPHICS & RESPONDENTS

IN TOTAL

995

ASIA	214
EUROPE	581
AMERICA	163
OTHERS	37

SAFER, SMARTER, GREENER

TOR GUNNAR TOLLEFSEN
Global Service Manager – Management Systems
Tor Gunnar Tollefsen is national expert delegate to
ISO committee TC 207/SC1 WG5, which is responsible for
the ISO 14001 revision.

BASTIAAN POLDERMANS
Global Service Responsible – ISO 9001
Bastiaan Poldermans is member of ISO committee
TC 176/SC2 WG24, which is responsible for the ISO 9001 revision.

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