To support today’s global demand for goods and services, manufacturers have established operations around the world in order to take advantage of production economies and to supply customers as efficiently and as cost-effectively as possible. However, quality-conscious customers expect the same level of product quality and service, regardless of where that product is manufactured. As such, manufacturers face a significant task in achieving and maintaining quality standards required by their demanding customers.

For years, maintaining a single quality management system (QMS), such as those certified under the ISO 9000 series of quality standards, has been sufficient to demonstrate a manufacturer’s commitment to producing products of consistent quality. However, there has been an expansion in the number and type of sector-specific QMS certifications, as well as the introduction of other types of certifications, such as those for environmental management systems (EMS) and social accountability. In addition, many major corporations have introduced their own specific quality and environmental management requirements for their supply chain.

Whether driven by industry sector expectations or customer demands, the proliferation of system certification requirements means a direct increase in the number of independent audits needed to demonstrate compliance with those requirements. For example, a typical manufacturer can carry as many as five separate ISO and/or sector-specific certifications, each of which require at least annual audits of each facility. For some global entities, this can mean dozens, or even hundreds, of audits annually, directly resulting in business interruptions, lost productivity, and increased operating costs.

As ISO and/or sector certifications have become an absolute requirement for a typical global supply chain entity, the main customer concern remains the ability of supply chain to fulfill customer-specific requirements. Hence, the best way for organizations to meet customers’ expectations is to implement a customer-focused audit (CFA) strategy that addresses the specific needs of individual customers whose
products are produced at multiple production sites around the world. This integrated approach can significantly reduce the auditing burden, with its attendant impact on production and operating costs, while reassuring customers that the products they buy will meet the same standards regardless of where they are produced.

In this article, we’ll discuss the characteristics and benefits of a CFA strategy, and review the experience of one global company who adopted a CFA strategy with distinctive results.

How Do CFAs Differ from Typical ISO 9000 Series Audits?

CFAs and ISO 9000 series audits both assess a facility’s compliance with the standards requirements of ISO 9001 and other QMS certification programs. But the similarity between the two approaches ends there. Because CFAs are directly focused on addressing the needs and expectations of the targeted focused customer, it is the customer’s requirements that determine the selection of the auditors, and the production sites selected for auditing.

Further, CFAs pay particular attention to specific quality requirements as detailed in the contract between the manufacturer and the selected customer. In a typical ISO 9001 audit, it is not uncommon for auditors to be unaware of these requirements and other customer concerns. However, the scope of a CFA can be expanded beyond typical quality concerns to include these important considerations, as well as internal processes, procedures, management policies and priorities, and regulatory requirements.

Finally, CFAs focus on leading, instead of lagging, indicators of quality. As such, CFAs evaluate a variety of quality indicators, such as compliance with the manufacturer’s own internal processes and procedures, compliance with the customer’s requirements, customer loyalty, and even the engagement and satisfaction of the manufacturer’s own employees. In this way, CFAs can provide the manufacturer with advance notice of quality issues, providing the opportunity for risk mitigation and corrective action before the customer’s perceived satisfaction is affected.

CFA Engagement—Case Study

The subject manufacturing company provides design, manufacturing, customer support, and management services to a wide range of industry sectors, including aerospace, automotive, consumer products, defense, electronics, industrial, medical, and telecommunications. The manufacturer also provides customers with after-market service offerings, such as warranty services and product repairs. This multi-billion dollar organization operates more than 50 facilities in more than 20 countries around the world, employing more than 80,000 employees worldwide.

The manufacturer maintains numerous ISO and sector-specific QMS and EMS certifications, including AS 9100, BABT, ESD 20.20, ISO 9001, ISO 13485, ISO 14001, OHSAS 18001, TL 9000, and others. On average, a single manufacturing site carries between three and five sector-specific certifications to meet the needs of customers representing different industry segments.

In this engagement, the manufacturer and global project manager from TÜV SÜD America identified specific sites for the application of a CFA strategy, including facilities in the North America, Europe, and Asia. The goal of the engagement was to assess the impact of a CFA strategy on improving customer satisfaction, audit-related business interruptions, audit process effectiveness, and the manufacturer’s internal QMSs. Data was collected for a three-year period, from 2008 through 2010.
Areas of Audit Focus
The engagement design involved auditing the following management and functional areas:

- Management Responsibilities: Governance
  - Top management commitment, engagement, and leadership
  - Customer-specific management review
  - Customer-specific internal audits & CAPA
  - Monitoring, measurement, analysis, and review
  - Periodic business reviews: action tracking and closure

- Strategy and Policy: Formulation, deployment and communication
  - Vision, strategy, planning and implementation alignment
  - Organization structure and alignment with customer

- Contractual Requirements: Review and compliance
  - Customer contract review and execution—corporate
  - Customer contract review and execution—site level
  - Conformance to customer contractual requirements

- Conformance to ISO 9001 and Company’s own QMS Requirements

Results of the Engagement
During the three-year engagement period, the most significant result was the reduction in the number of non-compliance items found at production sites utilizing the CFA strategy. Specifically, the number of minor non-compliance issues identified per audit day declined by 20% over the three-year engagement period, from 1.0 to 0.80 findings. Even more significant is the decrease in the number of major non-compliance issues identified at CFA sites, down 60% from an average of 0.50 per audit day in 2008 to just 0.20 per audit day in 2010.

Significant improvement was also observed in audit effectiveness. For example, the number of audit findings per audit day was 63% higher than the typical ISO 9001 audit, and the number of non-conformances per audit day was 129% higher.

The manufacturer also benefited from steady reduction in the number of auditors involved. From 24 auditors in 2008, TÜV SÜD America used only 15 auditors in 2010. But fewer auditors conducting more efficient audits are only part of the story, since the reduction in the number of auditors actually resulted in improved auditor consistency, even while maintaining local auditor representation for specific language and cultures wherever possible.

These improvements clearly demonstrate the effectiveness of a CFA strategy. In addition to improving quality management system audit effectiveness and reducing business interruptions attributable to audits, the use of CFAs significantly improved overall quality and compliance with audit standards, as reflected in the reduced number of non-compliance issues identified. More than just a mechanism for assessing compliance, CFAs can actually help drive sustainable improvements in business processes and systems, contributing to overall customer satisfaction and confidence in the organization's ability to meet customer requirements.

By design, CFAs typically require the involvement of participants from multiple organizational levels, from senior management and business development to manufacturing site-level personnel and other internal-support professionals. This multi-level involvement fosters greater communication throughout the
organization, an improved understanding of the importance of the audit process, and a greater commitment to the quality goals of the customer. It also ensures a prompt response to quality issues that require remedial actions.

Conclusion
While results may vary from organization to organization, CFAs can strengthen organization’s quality management system, reduce audit time, minimize business interruption, and increase the overall value of the auditing process. These benefits can directly result in significant quality improvements, and help to ensure compliance with customer-specific requirements. In the never-ending effort to win and maintain customer satisfaction and loyalty, adopting a CFA strategy can provide organizations with an important competitive advantage.

TÜV SÜD America is an internationally recognized testing, inspection, and certification organization, with more than 750 experts operating in the United States, Canada, Mexico, and 30 additional countries around the world. This extensive network makes TÜV SÜD America an effective single source for organizations seeking expertise in the certification and auditing of management systems of all types. For additional information on CFAs or other certification and auditing solutions, contact Gurdeep S. Mahal at gmahal@tuvam.com.