

# **Generating Cross-Sales in Investment Project Environment**

Organizational and Strategical Actions Needed for the  
Increase in Cross-Sales

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## **DEGREE THESIS**

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### **Abstract**

The thesis examines the organizational changes that are needed in an organization that provides testing, inspection and certification services in industrial investment projects in order to create cross-sales. These problems were chosen as the focus of this thesis based on experiences of lost cross-sales opportunities in the past. The aim of this thesis is to provide methods for implementing the needed changes in organizational structures and responsibilities in a form of a handbook. By these changes a positive effect on revenue and income was expected.

The research problem was chosen to be addressed by generating three research questions, each addressing their own crucial part in the solving of the research problem. The problem was examined based on literature and theory of the subject matter and after that a questionnaire based on the theory was sent out to individuals working for the client company with experience in the subject matter.

Finally, a handbook was made to clarify the needed actions for solving the problem. The handbook was made by investigating correlation between theory, questionnaires results and legislation controlling the industry. The possible implementation of guidelines presented in the handbook was left to the client company.

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Language: English

Key Words: Project, Cross-sales, Organizational development, Investment project environment.

## EXAMENSARBETE

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### Abstrakt

Avhandlingen behandlar de nödvändiga organisationsförändringarna inom en organisation, som erbjuder test-, inspektions- och certifieringstjänster i industriella investeringsprojekt, för att skapa korsförsäljning. Dessa utmaningar var valda som fokus för avhandlingen baserat på tidigare erfarenheter av förlorade korsförsäljningsmöjligheter. Syftet för avhandlingen är att erbjuda metoder för att genomföra nödvändiga förändringar inom en organisationsstruktur och ansvarsområden i form av en handbok. Genom dessa förändringar är en positiv effekt på intäkter och vinst förväntad.

Forskningsämnet beslöts att tacklas genom att framställa tre forskningsfrågor, som var och en behandlar sitt egna kritiska delområde i lösandet av dilemmat. Problemet studerades utgående från ämnesbehandlande litteratur och teori, varefter ett frågeformulär baserat på teorin sändes ut till individer inom kundföretaget, med erfarenhet inom ämnet.

Till slut gjordes en förtydligande handbok med de nödvändiga åtgärderna för att lösa problemet. Handboken gjordes genom att studera sammanbanden mellan teori, enkätresultat och industrikontrollerande lagstiftning. Eventuella verkställande av riktlinjer framförda i handboken lämnades till kundföretaget.

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Språk: Engelska

Nyckelord: Projekt, Korsförsäljning, Organisation utveckling, Investeringsprojektmiljö

## **OPINNÄYTETYÖ**

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### **Tiivistelmä**

Tämä opinnäytetyö tarkastelee ristimyynnin mahdollistavia muutoksia testaus, tarkastus ja sertifiointi alan toimijan investointiprojekti organisaatiossa. Tämä teema valittiin tarkastelun kohteeksi, johtuen aiemmista kokemuksista, joissa ristimyynti kontaktointi oli epäonnistunut. Opinnäytetyön tavoitteena oli luoda metodi uusien organisaatorakenteiden ja vastuiden täytäntöönpanemiseksi ohjeistusdokumentin muodossa. Näillä muutoksilla tavoitellaan positiivisia vaikutuksia liikevaihtoon ja katteeseen.

Ongelmaa lähestyttiin luomalla kolme tutkimuskysymystä, joista kukin käsitteli omaa tutkimuksen kannalta kriittistä osa-aluetta. Ongelmaa lähestyttiin aihetta käsittelevän kirjallisuuden ja teorian kautta. Tämän jälkeen luotiin kysely, joka lähetettiin asiakasyrityksessä työskenteleville henkilöille, jotka omaavat projektikokemusta.

Lopuksi luotiin ohjeistusdokumentti, jonka tarkoituksena oli selventää tarvittavat toimenpiteet ongelman ratkaisemiseksi. Ohjeistus luotiin vertailemalla teorian, kyselyn tuloksien ja alaa säätelevän lainsäädännön riippuvuutta. Ohjedokumentissa esitettyjen toimien täytäntöönpano jäi yhtiön harkinnan ja toimien varaan.

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Kieli: Englanti

Avainsanat: Projekti, Ristimyynti, Organisaation kehittäminen, Investointiprojekti ympäristö.

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# **1 Introduction**

During recent decades the environment in investment projects has changed drastically as the developing countries and also western participants are taking part in smaller and smaller projects that would have been executed on a global level in the past. The ideology of b2b business being a deal between just two organization is outdated as globalization and the significance of geographical distance has decreased. This generates a demand for a better organizational model that can provide service for all participants in industrial investment projects. If success in such organizational change is achieved, then the company in question has an upper hand in project deliveries already from the sales phase and better cross-sales is generated. As customer relationship is established through one service field, it is easier to generate cross-sales, that has proven to be a potential way off generating more revenue when done effectively.

## **1.1 Investment Project Cross-sales environment**

The scope of this thesis is limited to the sales activities and sales potential during an investment project. The Cross-Sales Strategies and Organizations examined in literature and traditionally used in project environment are presented in section 2.1. The aim for cross-sales and possible problems while aiming for increase in revenue by cross-selling is also presented.

The Investment Project is an ordeal where one or multiple organizations invest money in order to create more value. The basic functions and types of an investment project are presented in section 2.2

The Project Organization is the group of staff which carries trough either the whole project or a part of the project within the given time frame. The types of project organizations and their characteristics are discussed in section 2.3

As the case company operates in a field where impartiality is a necessity the effect of the legislation and accreditation cannot be left out. Legislation Regarding Impartiality is presented in section 2.4

## 1.2 Kiwa as a Company

The subject of the thesis was planned together with Kiwa Finland's industry department. The former Inspecta Oy that is now part of global Kiwa. Since 2021 Kiwa has been a part of SHV's family of companies. An organizational structure is presented below in order to create a more accurate picture of the case company.

**SHV** is a family-owned, decentralized company active in energy distribution, cash-and-carry wholesale, heavy lifting and transport activities, industrial services, animal nutrition and aquafeed, exploration, development, providing private equity, testing, inspection and certification (TIC) and production of oil and gas through its eight companies: SHV Energy, Makro, Mammoet, ERIKS, Nutreco, NPM Capital, Kiwa and ONE-Dyas. SHV employs more than 55,000 people and is present in 69 countries. (SHV, n.d)

**Kiwa** offers assurance, testing, inspection, certification, training, consultancy and data services. Kiwa offers its services in a wide variety of market segments, ranging from construction and energy supply to drinking water, healthcare, food, feed & farming. Areas of expertise include management systems, corporate social responsibility and lab testing, among many others. Kiwa has clients in manufacturing and process industries, (business) services, public and private utilities, governments and international institutions. (KIWA, n.d)

Kiwa employs over 10,000 people in over 35 countries, in Europe, Asia, the Americas and Oceania. (KIWA, n.d)

Companies now referred to as **Kiwa Inspecta (case company)** were part of Inspecta, the largest inspection company in Northern Europe and the Baltics. Kiwa Inspecta focuses on inspecting all kinds of assets in industry, housing, the maritime sector, metals and mining and other market segments.

All business segments are led by segment managers, by so a matrix organization is generated as presented in the picture below by *Project Management Institute PMI*.



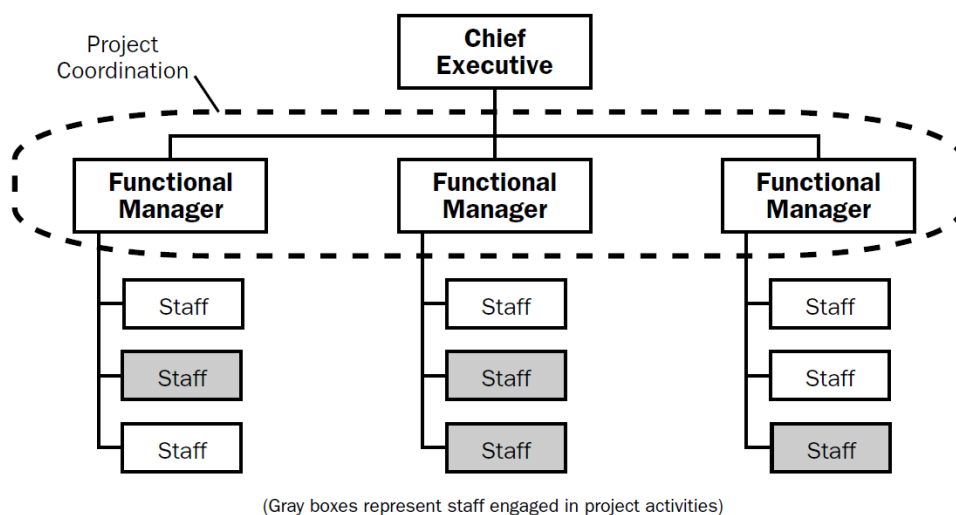


Figure 1-1 Functional project organization (Roseke, 2019)

### 1.3 Research problem

The thesis addresses problems that are identified by many levels of Kiwa Inspecta's organization. There is literature based on increasing cross-sales and project organizations development that will be used for evaluation of the best solution for the case company.

In the current situation the execution of cross-sales is not followed or even guided in efficient manner in the case company. The reason for addressing this matter is important for Kiwa Inspecta in order to generate more income and to ease the project experience both for the client and the employees. The organizational stiffness regarding cross-sales was pointed out by company as something they wished development on.

Also, the legislation and policy concerning the impartiality of different parts of client company have to be taken into account.

### 1.4 Aim of the thesis

The expected outcome of this thesis is to generate recommendations for the case company in order to improve sales during the project phase between different segments that are referred as cross-sales. The aim is also to hand out tools for improvement of organizational communication between different segments in a form of a handbook.

Hopefully the thesis will provide guidelines which will work as framework for future projects in pre-project and project phase, so generating more sales and revenue.

## **1.5 Limitations**

Literature of different organizational models and matrixes exist, but when it comes to creating a platform for increasing cross-sales, the literature is more or less absent. Based on that the relations between the organizational changes and increase in cross-sale possibilities is based on assumptions, that must be examined with caution

As management models are so heavily linked to the subject matter it is vital to understand that the focus of this thesis is on organizational structures and their correlation with cross-sale potential

The expected outcome of this thesis is to generate guidelines and suggestions for cross-sales improvement. Due to that the implementation is left on the responsibility of the case company, thus leaving it outside of the scope of this thesis.

## **1.6 Structure of thesis**

The thesis's parts and its content are presented in following order:

Part 1 – Introduction: Introduction of the client company and a introduction of the research problem. Also, the aim of the thesis is presented, and possible delimitations are laid down.

Part 2 – Literature review: Literature related to the subject matter is presented. This includes organizational structures and cross-sales basics. Finally, the legislation that controls the client company's actions are examined.

Part 3 – Research methodology: In this part the methods and the reasons they were chosen are presented. The questionnaire results are gone through in a manner, where questions and answers linked to a specific research question are examined under their on sub-chapters.

Part 4 – Discussion: The results of the questionnaire are gone through separately with every research question. An analysis based on the results and how they compare to the literature. Recommendations and implementational tips are formed, which are then used in the handbook. Also, limitations regarding the results are presented.

Part 5 – Conclusion: The conclusions and results are discussed and evaluated in this part. Possible subjects for future research are presented and closing words are given.

Appendices are listed in Part 6 and a list of references is provided in Part 7

## **2 Literature review**

In this Thesis the literature review is laid out into three sections, that are:

- The Cross-Sales Strategies and Organizations
- Project Organization
- Legislation Regarding Impartiality

### **2.1 The Cross-Sales Strategies and Organizations**

As long there has been services, there has been sales and for almost as long companies and other service providers have been creating hierarchies and organizations in order to increase sales. A well working sales organization creates the company steady flow of work thus preventing the need for personnel changes.

As companies have grown and competition has increased both by sheer amount of service providers and globalization, more complex sales organization models have surfaced. Shifts in the sales force's structure are essential if a company wants to keep winning the race for customers (Zoltner,Prabhakant & Lorimer, 2006). In some case's the Marketing and Sales team are within the same organization, and in some cases they are divided into whole different hierarchies that barely communicate with each other. And as stated in an article by D.Shah and V.Kumar in Harvard business Reviews article from 2012 "cross-sales generates marketing expenses; second, cross-buying amplifies costs by extending undesirable behavior to greater number of products or services. This happens even among customers who were profitable before they began cross-buying".

As the sales force's structure depends on the field of operations and the phase of the companys life cycle as a business. In the article "Match Your Sales Force Structure to Your Business Life Cycle" by Zoltners, Sinha & Lorimer (2006) the following table of what actions should be taken into account on different life cycles of the business

<b>The Four Factors for a Successful Sales Force</b>				
A company must focus on different aspects of its sales force structure over the life cycle of the business, just as it matches customer strategy to the life cycle of a product.				
BUSINESS LIFE CYCLE STAGE				
	Start-Up	Growth	Maturity	Decline
EMPHASIS				
ROLE OF SALES FORCE AND SELLING PARTNERS	★★★★	★★	★	★★★★
SIZE OF SALES FORCE	★★★	★★★★★	★★	★★★★★
DEGREE OF SPECIALIZATION	★	★★★★★	★★★★	★★
SALES FORCE RESOURCE ALLOCATION	★★	★	★★★★★	★
UNDERLYING CUSTOMER STRATEGY				
	Create awareness and generate quick product uptake	Penetrate deeper into existing segments and develop new ones	Focus on efficiently serving and retaining existing customers	Emphasize efficiency, protect critical customer relationships, exit unprofitable segments

Figure 2-1 The Four Factors for a Successful Sales Force (Zoltners, Sinha & Lorimer, 2006)

### 2.1.1 Aim of Cross-Sales

The connection between sales activities and growth in workload is widely researched in literature, thus making it quite obvious that in order to have efficient amount of revenue to keep the business afloat, large companies need a sufficient sales organization.

What should we then expect from increase in cross-sales? In an article published in Investopedia in 2021 by Hayes the following “Key Takeaways” are presented:

- Cross-selling is the practice of marketing additional products to existing customers, often practiced in the financial services industry.
- Financial advisors can often earn additional revenue by cross-selling additional products and services to their existing client base.
- Care needs to be taken to do this correctly in order to stay clear of regulators and protect the client’s best interests. Advisors who simply make referrals in order to receive additional incentives may find themselves on the receiving end of customer complaints and disciplinary action.
- Upselling is a sales tactic in which an upgrade or a high-end version of a product or service is promoted.

As cross-selling also effects the impression your company for the level of commitment towards the client, cross-selling should be considered as a marketing tool. Though company would not succeed in generating more cross-sales, the activity in providing services for the customer and showing keen interest in clients' needs can be beneficial in future encounters. Reynolds (2012) notes that being responsive to your customers' concerns is a clear indicator of your company's desire to meet and exceed expectations. If there are deficiencies in how effectively and quickly you respond, your customers will question your commitment.

### 2.1.2 Possible Problems in Cross-selling

As cross-sales are expected, it requires changes in the company structure which can generate friction between different organizational elements. In many companies there is friction between marketing and sales departments, whereas there should be synchronism. Kotler, Rackham and Krishnaswamy (2006) points out that when sales are disappointing, Marketing blames the sales force for its poor execution of an otherwise brilliant rollout plan. The sales team, in turn, claims that Marketing sets prices too high and uses too much of the budget, which instead should go toward hiring more salespeople or paying the sales reps higher commissions. More broadly, sales departments tend to believe that marketers are out of touch with what's really going on with customers. Marketing believes the sales force is myopic—too focused on individual customer experiences, insufficiently aware of the larger market, and blind to the future. This thesis though focuses on the cross-sales potential and development during investment projects and in that phase of the buying funnel (presented below) the responsibility for generating sales should be handed over by marketing team to sales team.

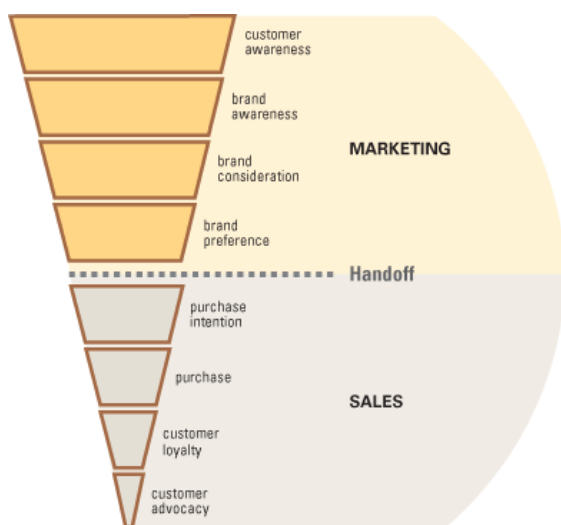


Figure 2-2 The Buying Funnel (Kotler, Rackham and Krishnaswamy, 2006)

### 2.1.3 Relationship between Sales and Marketing

As mentioned, the synergy between sales and marketing is crucial in order for the cross-selling to work well. Kotler, Rackham and Krishnaswamy (2006) define the relationship into four different stages that are: Undefined, Defined, Aligned and Integrated. They further explain undefined as so: *“When the relationship is undefined, Sales and Marketing have grown independently; each is preoccupied largely with its own tasks and agendas. Each group doesn’t know much about what the other is up to—until a conflict arises. Meetings between the two, which are ad hoc, are likely to be devoted to conflict resolution rather than proactive cooperation”* Kotler, Rackham and Krishnaswamy (2006). As Kiwa has its background in the state own company (Teknillinen tarkastuskeskus) and the inspections carried out by them the current model until now has been more or less undefined. Under the latest five years there has been numerous attempts to add co-ordination between different business sectors, marketing and sales. The results have been though slim to none.

They continue by explaining the defined relationship; *“the groups start to build a common language in potentially contentious areas, such as “How do we define a lead?” Meetings become more reflective; people raise questions like “What do we expect of one another?” The groups work together on large events like customer conferences and trade shows”* Kotler, Rackham and Krishnaswamy (2006). At the moment the attempts of having common activities between sales and marketing teams are done, and some seminars and exhibitions have been constructed together, but in many cases the results have stayed within the same organization and participants that made the original input. And as the sales are done by regional sales crews that are working for a specific business unit, the information gets lost in the hierarchical stairs.

Aligned relationship is explained in the following manner: *“When Sales and Marketing are aligned, clear boundaries between the two exist, but they’re flexible. The groups engage in joint planning and training. The sales group understands and uses marketing terminology such as “value proposition” and “brand image.” Marketers confer with salespeople on important accounts. They play a role in transactional, or commodity, sales as well”* Kotler, Rackham and Krishnaswamy (2006).

And finally integrated relationship that could be considered as the goal of marketing and sales activities in any company are described as *“boundaries become blurred. Both groups redesign the relationship to share structures, systems, and rewards. Marketing—and to a lesser degree Sales—begins to focus on strategic, forward-thinking types of tasks (market*

sensing, for instance) and sometimes splits into upstream and downstream groups. Marketers are deeply embedded in the management of key accounts. The two groups develop and implement shared metrics. Budgeting becomes more flexible and less contentious. A “rise or fall together” culture develops”. Kotler, Rackham and Krishnaswamy (2006)




	Undefined	Defined	Aligned
Don't make any changes if...	<p>The company is small.</p> <p>The company has good informal relationships.</p> <p>Marketing is still a sales support function.</p>	<p>The company's products and services are fairly cut-and-dried.</p> <p>Traditional marketing and sales roles work in this market.</p> <p>There's no clear and compelling reason to change.</p>	<p>The company lacks a culture of shared responsibility.</p> <p>Sales and Marketing report separately.</p> <p>The sales cycle is fairly short.</p>
Tighten the relationship between Sales and Marketing if...	<p>Conflicts are evident between the two functions.</p> <p>There's duplication of effort between the functions; or tasks are falling through the cracks.</p> <p>The functions compete for resources or funding.</p>	<p>Even with careful definition of roles, there's duplication of effort between the functions; or tasks are falling through the cracks.</p> <p>The market is commoditized and makes a traditional sales force costly.</p> <p>Products are developed, prototyped, or extensively customized during the sales process.</p> <p>Product life cycles are shortening, and technology turnover is accelerating.</p>	<p>A common process or business funnel can be created for managing and measuring revenue-generating activities.</p>
			

Figure 2-3 The Nature of relations between sales and marketing (2006)

#### 2.1.4 Difference Between Cross-selling and Upselling

Many times, the terminology mixes the two selling concepts that are Cross-selling and Upselling. Though both aim in increase of sales between the service provider and the customer, there are differences essential to the goal of this thesis. Suresh (2022) defines the two in the following manner:

Upselling is a strategy to sell a superior, more expensive version of a product that the customer already owns (or is buying). A superior version is:

- a higher, better model of the product or
- same product with value-add features that raises the perceived value of the offering

Upselling is the reason why we have a 54” television instead of the 48” we planned for. It’s also the reason you might have subscriptions which include services you don’t use.

- Cross-selling is a strategy to sell products related to the one a customer already owns (or is buying). Such products generally belong to different product categories but will be complementary, like socks with a pair of shoes, or batteries for a wall-clock.

## 2.2 Investment Project

There is different approaches to investment project, depending if it is within industrial, financial etc segment. This thesis is made for the industrial segment activities and for that reason it is strictly limited to that field.

According to CEOpedia (n.d) Management an investment project is defined as follows: *“Investment project can be defined as a set of interdependent tasks and activities, undertaken by company to achieve defined economic or financial goals. The investment project should include information on the purpose of the planned investment, the expenditure required for its implementation, funding, criteria and methods for assessing the effectiveness and risks of participants of the investment process and desired effects (results).”* They continue then by explaining the four different types of investment projects that are: Expansive investment projects, Investment projects to preserve or replace, Fine-tuning investment projects, Innovative investment projects.

*An Expansive investment project is defined as a project that’s “purpose is the entrance to the hitherto unexplored markets or develop products in the current markets. In the case of projects that result with expansion of existing markets, the company typically launches new outlets and new channels of distribution. These projects require strategic analysis of the demand and are usually associated with high marketing expenses. They are among the most risky. For this reason, managers demand high minimum rate of return from that projects. Expansive projects are developmental in nature”.* (CEOpedia, n.d)

*A Investment project to preserve or replace is defined as operation with the aim to “preserve or replace current leading activities or cost reduction. Such project belongs to the most common investment decisions, since involve the consumption of machinery and equipment used in the production. If a company decides that it will develop current technology, managers perform evaluation of the bids submitted by suppliers of machines and equipment. In the second case, managers may find that the equipment used for the production is outdated*



*and its further exploitation may lead to a reduction in profits. In this case, the company should make a detailed cost analysis. Examples of actions aimed at cost reductions are reducing price for the semi-finished products, direct labor, the amount of waste.”* (CEOpedia, n.d)

The article then defines *Fine-tuning investment projects* as projects that “*focus on adapting the business to new legal regulations relating to the protection of the environment. When deciding on adaptation social constraints are of great importance. The investment project must meet established standards, and this is the main purpose of the managers. Profit maximization for these projects is not a priority of the company, it focuses on the fulfilment of certain requirements.*” (CEOpedia, n.d)

And finally the *Innovative investment projects* are projects that “*involve use of new technologies, and thus help maintain the strong position of the company in the long run. These projects concern the introduction of new products or services (product innovation), as well as the introduction of new process, which aims to fulfill needs of new customers.*” (CEOpedia, n.d)

Kiwa operates in all investment project types mentioned above.

### **2.3 Project Organization**

Currently in large scale investment projects all industrial segments are present and they provide their services through their own local organizations, thus narrowing the possibility of cross-sales during the project phase. Some project managers have been assigned to certain projects, but a real project management model is not established by the case company. The success of on-demand cross sales during the project is based on the reachability of each segment manager and possible cross-segment meetings etc. though those are usually not planned to be executed as a part of normal project activities.

Also, the financial success is evaluated individually for every service segment and so the potential effect of cross-sales is unknown on an official level.

The structure of the project organization plays a vital role in generating a surface for the company to generate needed services. Different organization structures are researched in the literature, depending on the organization size and field of operations.

In general, it is agreed that there are four main types of organizational structures, though in time some subtypes are established in order to serve a specific company in more efficient way. The Four main types are: Functional, Project, Matrix and Composite.

Often companies have internal structures that are based on divisions, for example production, marketing, sales etc. In the functional organizational structure, projects are initiated and executed by the divisional managers, who assume the project manager duties in addition to their regular, functional, roles. They are often given secondary titles such as “Coordinator of Project X.” In this structure, project managers usually don’t have a lot of authority to obtain resources or to manage schedules and budgets. They must obtain approvals to utilize resources from other departments, which can be a complex undertaking. This is because the functional organization is designed to focus on the provision of the divisional services rather than project deliverables. (Roseke, 2019)

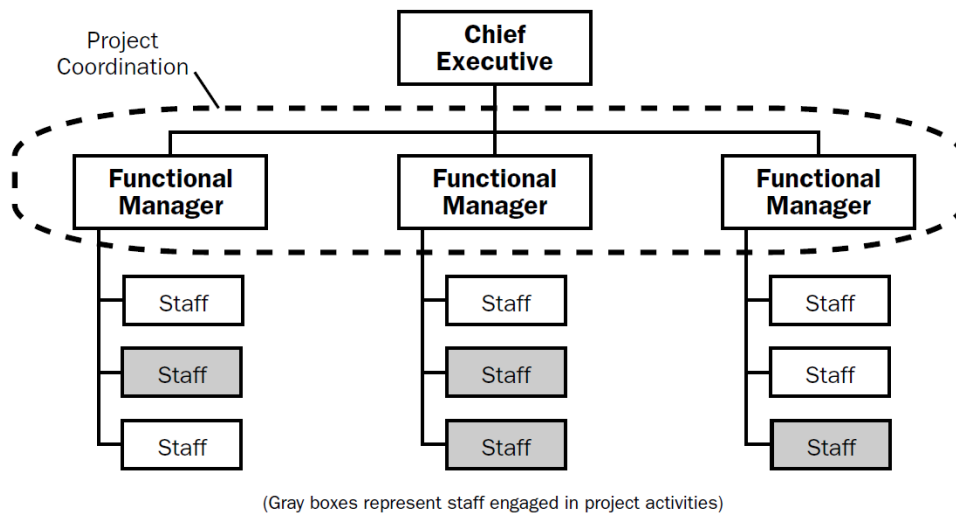


Figure 2-4 Functional project organization (Roseke, 2019)

Almost the opposite for the functional model is the project-oriented model that is mainly used by companies that work solely in project environment. Companies that use this models can be for example: Architect offices, consulting companies, start-up services etc. Project managers are usually full time in the role, and for small projects they might manage several projects at once. In this structure project managers usually have a great deal of independence and authority. They are able to draw on resources with little required approval. In fact, most of these types of organizations have some form of functional divisions which are placeholders for resources that can be utilized by all projects. They are usually called “departments.” (Roseke, 2019)

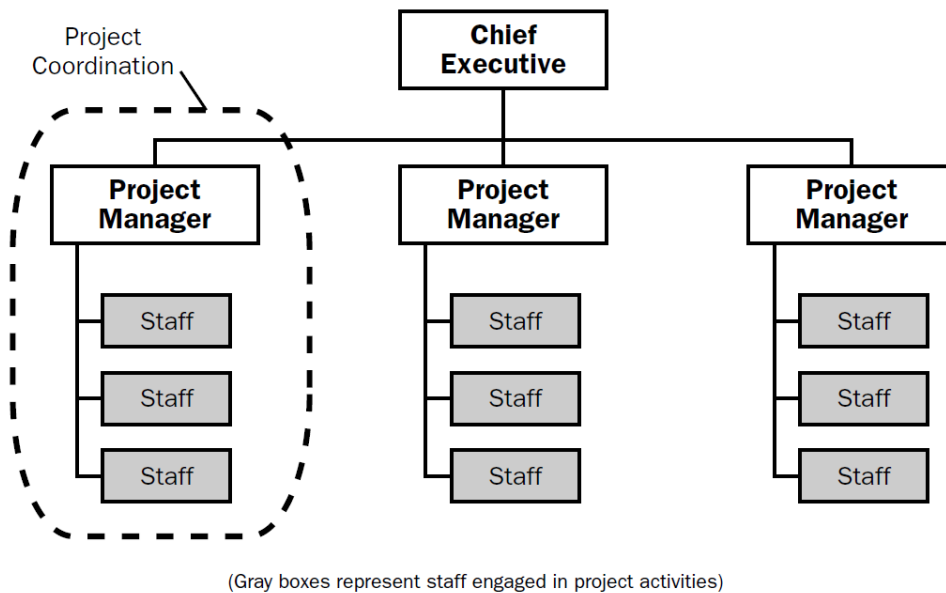


Figure 2-5 Project oriented organization (Roseke, 2019)

The two project organization types (Functional and Project oriented) are considered to be quite traditional models that have been used for decades. To add more flexibility a hybrid model has been formed through experiences and demand. Those are usually referred as the Matrix model. Most organizations actually have some sort of hybrid / matrix characteristics mixed with the traditional models even without them knowing it. In matrix models the project managers have more control over the on-hand activities regarding the project.

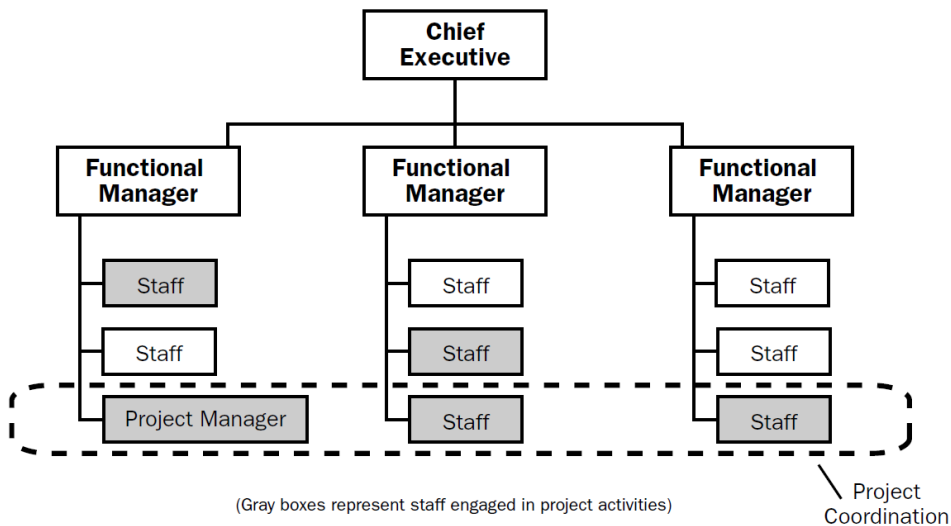


Figure 2-6 Matrix organization (Roseke, 2019)

Roseke (2019) further states that in the typical matrix structure, a project manager is assigned from within one of the functional departments in either a part time or full-time capacity. They are assigned project team members from various departments, who are released from their departmental duties (at least partially). Thus, a high priority can be placed on the project while maintaining the functional division services. However, the project manager and team members are still paid by their respective functional departments, thus the final accountability for the project still lies at the functional level. For example, if one of the department managers thinks that they have contributed more than their fair share, the project will stall quickly.

The Matrix organization model is in theory possible to further adjust into weak or strong matrix which are presented below. In a weak matrix retains the management of the project in the hands of the functional managers instead of the project team. (Roseke, 2019)

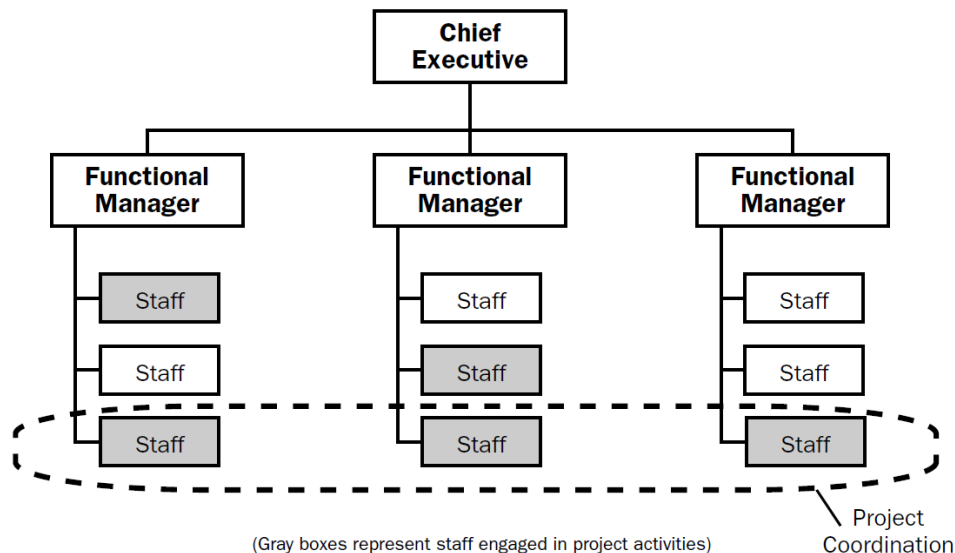


Figure 2-7 Weak matrix organization (Roseke, 2019)

Roseke continues that a strong matrix is still a functional organizational structure but has a completely separate project management arm. All of the project roles are still fulfilled within the functional departments, but the project manager is on the same level as the functional managers.

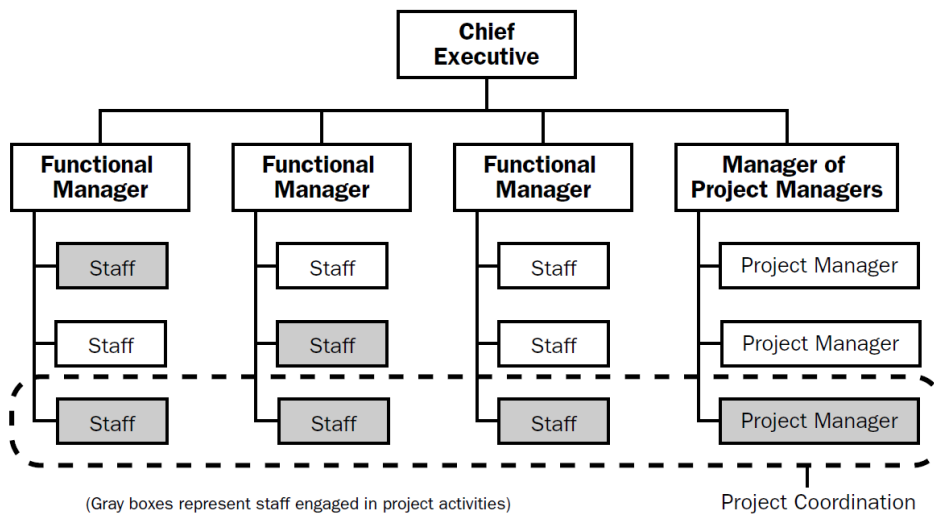


Figure 2-8 Strong matrix organization (Roseke, 2019)

Roseke (2019) further notes an important aspect regarding the weak / strong matrix models. He states that in spite of its name, the terms strong and weak matrix are not meant to imply a level of desirability to the organization. The names have been coined by the project management industry which has studied the role of projects within organizations, and hence they correspond to strength or weakness in achieving project success. But if that comes at the expense of poorer delivery of functional services, the organization's goals are not necessarily being achieved.

What is then the possible downfall of a matrix organization? One of the early researches made on matrix organization was made by Linn C. Stuckenbruck in 1979. He listed multiple possible problems, though under interpretation, he seemed to find those possible problems insignificant compared to the possible benefits of the matrix organization. The most likely problems to occur in client company's case are listed below:

*“Two Bosses — The major disadvantage is that the personnel on the project are working for two bosses. In any type of conflict situation a person could easily become “the man in the middle.” Further problems of conflict can be caused by project personnel playing one boss against the other.”* (Stuckenbruck, 1979)

*“Complex Information Flow — This is a problem only because there are so many people and organizational units involved. Both the project and functional managers must be certain that they have touched bases with each other for any major decisions in their areas of responsibility.”* (Stuckenbruck, 1979)

*“Conflicting Guidance — The more complex organization with two lines of authority always increases the possibility of conflicting instructions and guidance.” (Stuckenbruck, 1979)*

## **2.4 Legislation Regarding Impartiality**

As Kiwa Inspecta offers third party services and notified body services, there are legislation and accreditation criteria that has to be taken in account when planning / generating organizational hierarchies and changes.

The red line for assessing client companys impartiality is the *Assessment of Impartiality- Principles Applied by FINAS A8/2016*. Based on the guidelines given by FINAS the main aspects are: Unit based impartiality assessments, general procedures, introduction of new personnel and active communication. The impartiality assessment is a part of case company’s quality- and development leading auditing. As stated in by FINAS *“Changes in legislation have encouraged new kinds of conformity assessment actors to enter the market. Public administrative tasks are assigned to private and commercial operators. This means that assessments are performed by organizations that have no previous experience of conformity assessment services. On the other hand, the requirements of indirect State administration and their application to conformity assessment bodies have become clearer over the years, as statutes explicitly state the legal requirements that conformity assessment bodies must comply with, in addition to special legislation..... A generally encountered factor, and perhaps the most important risk to impartiality, consists of the services outside actual assessment that are provided by the assessment body, its parent or subsidiary organizations, or other entities having a close contractual relationship with the body in question. The risk resulting from these functions is also seen in many examples.”*

### **2.4.1 FINAS A8/2016**

As stated above the *Assessment of Impartiality- Principles Applied by FINAS A8/2016* is the single most important tool in assessing questions regarding impartiality between different business segments. The purpose of the policy documents is to clarify the application of accreditation requirements in practice. They have been drawn up taking into account the principles agreed within the international cooperation organizations of accreditation bodies (European co-operation for Accreditation (EA), the International Laboratory Accreditation Cooperation (ILAC) and the International Accreditation Forum (IAF)). (FINAS,2016).

The requirements for impartiality assessments are presented in international standards such as:” *Independence of Assessment Bodies, Final Report of the VANK Working Group, Ministry of Trade and Industry Working Group and Committee Reports no. 14/2002*” and “*Advisory Committee for Conformity Assessment Matters (VANK-V), Memorandum 11: “Inspection Bodies and Legislation Concerning Public Administrative Tasks” (14 March 2007)*”

As the Organizations have grown over the years and new organizations have also been established. Larger organizations have been created, for instance, by merging previously unfamiliar organizations in connection with business acquisitions, or by gathering together units doing similar tasks within an existing organization. Synergy has often been seen as an important motive; thus, the new large organizations created generally do similar things. The tasks may include certification, conformity assessment conducted as a notified body, type inspections, in-service inspections, or some other activities supporting these tasks (testing or analysis). In some cases the various functions within an organization, which themselves require the verification of impartiality, constitute an impartiality threat to each other. A recurrent example could be the coexistence of product certification, system certification and inspection activities within the same organization, where they are implemented using partly the same resources. Often these problems have been resolved by drawing strict boundaries between departments or even between companies. (FINAS,2016)

For the purpose of this thesis it is vital to review the different types of inspection bodies listed by FINAS in their ”guidebook” as it is a relevant subject when it comes to determining the foundation for impartiality. The inspection bodies are divided into three types of bodies in terms of impartiality requirements. Those types are referred in the text as Type A, Type B and Type C. FINAS notes the following: An inspection body of type A is impartial of the parties involved in the activities, i.e. “a third party”. An inspection body of type B conducts inspections for the parent organization and is a separate element of the organization. An inspection body of type C can conduct inspections for both the parent organization and outsiders. The inspection body must ensure that there is sufficient distance between the responsibilities for inspections and other operations. (FINAS,2016)

FINAS then lists the different types of organizations and the types they represent (A,B or C). Certification bodies are impartial third-party actors and operate generally in the voluntary sector, but they can also operate in the regulated sector, for instance, as a notified body. Certification organizations assess products or systems usually by comparing the object

against a model derived from standards. The structure of certification organizations must enable the involvement of stakeholders (a committee monitoring impartiality/independence). Stakeholders ensure the impartiality of certification by influencing the definition of principles and procedures. (FINAS,2016) Where as Verifier organizations are equated with third-party actors in terms of impartiality requirements. The verifier organization must have a mechanism to ensure impartiality and to identify conflicts of interest. This mechanism may be a committee like those of certification bodies, or some other arrangement. (FINAS,2016) About testing and calibration services FINAS states the following: The primary objective of ensuring impartiality is to ensure the integrity of results. However, testing laboratories may also be expected to act as a third party, for instance, when they serve as notified bodies.(FINAS,2016)

They continue to state the following about proficiency testing providers that can sometimes be in the same category as the previous testing and calibration services: Proficiency testing providers are providing external proficiency tests for laboratories and inspection bodies. Customer results are handled objectively and impartially. A special feature in providing proficiency testing is that external expert are used. It is essential to ensure the impartiality of all the experts. (FINAS,2016)

Problems in reconciling competence and impartiality means that. Persons within an organization exchange duty among themselves: they consult, service, plan and assess. For inspection bodies of Type A, this does not meet the impartiality criteria. (FINAS,2016) The use of external resources in a organization creates a problem that according to FINAS (2016) has to be addressed by creating explicit agreements on the use of all external resources. These agreements specify the rights, duties and any restrictions that the persons/organizations may have. When providing information, both contracting parties must take care not to pass on misleading information. The guidebook (FINAS,2016) then further notes that in matrix organizations assessment is used to determine who decides on personnel resources and to ensure that personnel resources and reporting chains are clear. At a sufficiently high level, the organization must be committed to the requirements that the operations are expected to meet.



#### **2.4.2 Administrative Procedure Act 434/2003 + 893/2005**

Another legislative document controlling the impartiality when it comes to the business sector in which the case company operates is the Administrative Procedure Act. Its objective is to implement and promote good administration and protection under the law in administrative matters. A further objective of the Act is to promote the quality and performance of administrative services. (Ministry of Justice,2003) The act applies to central government authorities, municipal authorities, autonomous institutions governed by public law, the agencies operating under Parliament, and the Office of the President of the Republic (authorities). This Act applies to unincorporated state enterprises, associations governed by public law, and private entities, whenever they perform public administrative duties.

As Kiwa Inspecta has a reporting obligation to the state officials (TUKES etc.) it has to follow the legislation. The sections 27 and 28 apply in the case of a accredited inspection body Type A,B or C.

Section 27 (Disqualification) in Act 434/2003 + 893/ 2005 states that: “A public official shall not participate in the consideration of a matter or be present during such consideration if he or she is disqualified. The provisions on the disqualification of a public official also apply to members of multimember bodies and other persons participating in the consideration of a matter, as well as inspectors in their inspection duties.”

Section 28 (Grounds for disqualification) in Act 434/2003 + 893/ 2005 further states that: A public official is disqualified if:

- 1) he or she or a person close to him or her is a party to the matter.
- 2) he or she or a person close to him or her serves as counsel for or represents a party or a person who can be expected to experience a particular gain or loss from the decision on the matter.
- 3) he or she or a person close to him or her as referred to in subsection 2, paragraph 1 can be expected to experience a particular gain or loss from the decision on the matter.
- 4) he or she is employed by, or, in relation to the matter under consideration, works on the commission of, a party or a person who can be expected to experience a particular gain or loss from the decision on the matter.

5) he or she or a person close to him or her as referred to in subsection 2, paragraph 1 is a member of the board of directors, board of administration or a comparable body, or is the managing director or holds an equivalent position, in a corporation, foundation, unincorporated state enterprise or public body which is a party or can be expected to experience a particular gain or loss from the decision on the matter.

6) he or she or a person close to him or her as referred to in subsection 2, paragraph 1 is a member of the board of management or a comparable body of an agency or public body and the matter in question relates to the guidance or supervision of the agency or public body; or

7) confidence in his or her impartiality is endangered for another particular reason.

### 3 Research Methodology

When thinking of a classic model for research such as a literature review combined with questionnaire regarding the same subject matter, multiple different models are given. Though most of them are based on same original sources with their own variations. All theories have the basic idea that you have an Input (the problem) that is then run through a funnel like process in which the problems are going through “screens”. These screens are the legislative, financial, environmental, schedule etc. limitations that set the boundaries for the possible outcome of the research. After all these factors have been taken into account the execution value of the outcome should be assessed.

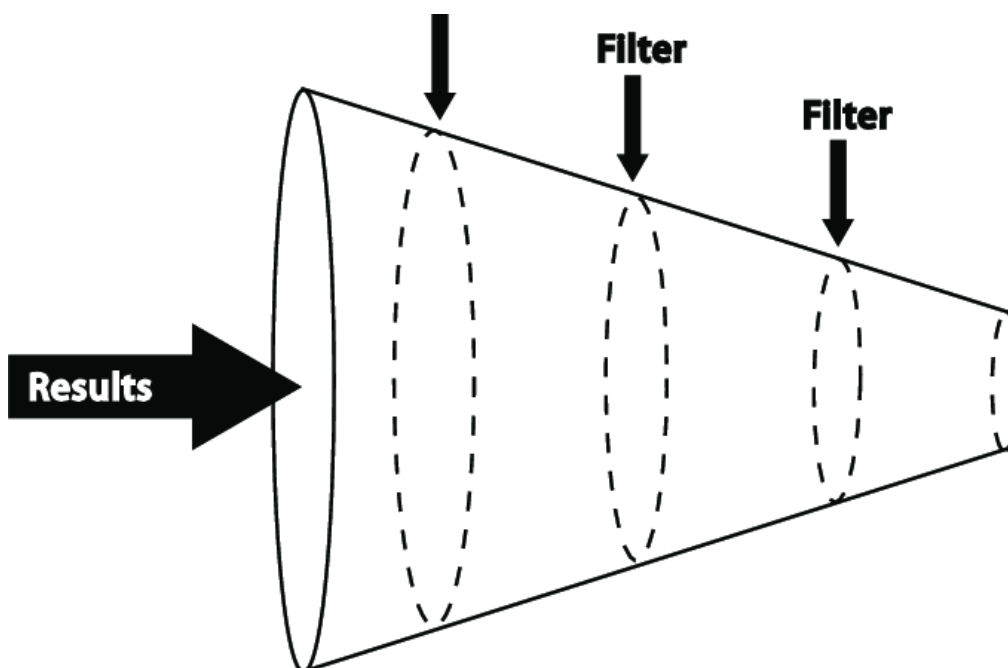


Figure 3-1 The Research Funnel (Elfing, 2007)

In the first part the problem that is acknowledged by the case company is gathered as the subject is given to the author. The first filtering screen in the case of this thesis is then the literature review and its parts which will set the organizational, strategical, legislative etc limitations. The last filtering screen is the questionnaire where the gathered information is compared to the literature and legislation. After that the possibility to give recommendations for future activities arises.

### 3.1 Research Questions

In literature multiple different strategies for cross-selling and different organizational models can be found, but in order to get a good customization for the client company a questionnaire was seen as the most suitable. With the given time frame interviews were not possible to have as the first half of the year, when this thesis was written is the time with most workload when it comes to sales and inspection organizations.

Literature and legislation presented in section 2 gives “boundaries” for the thesis and its outcomes. It does not anyhow limit the number of experiences by personnel working in client company’s project organization. And as the purpose of this thesis is to give suggestions and work models for future activities carried in the field of project environment cross-sales activities, a questionnaire gives more backing and input compared to writers’ own experiences and assumptions.

The questionnaire was made based on questions that the client company’s management thought as relevant and critical when addressing this subject. The questions were then fine-tuned between the writer and Novias experts. This was done based on their experience in getting workable material out of the questionnaire.

The first out of three research questions regards the cross-sales strategy currently in use and the best suitable strategy when it comes to cross-sales during an investment project. By this point-of-view the first research question [RQ1] is: *What kind of cross-sale strategy would be most appropriate for Kiwa? and How should the cross-sales responsibilities be shared between organization members?* The second question [RQ2] is quite simple: *What kind of organization would suite Kiwa’s needs in the best possible way?* Third question points out the possible problems regarding impartiality and legislation [RQ3]: *How does the questions regarding legislation and impartiality have to be taken into account when generating an organization capable of cross-selling?*

### 3.2 The Data Collection

As the purpose of this thesis is to give operative suggestions for the case company, the questionnaire was sent to all business segments under the industry services platform. These segments are Inspecta Oy, Inspecta Tarkastus Oy and Inspecta Sertifiointi Oy. The possible cross-sale activities will be carried out between these service providers and they are also affected by the legislation and accreditation guidelines, thus making it logical to have the aim of the questionnaire on all of them.

As mentioned before, there was the option for interview but due to challenges with schedule and the fact that in that case the data would have been more time consuming to get into graphs, the decision was made to send out the questionnaire via email.

Questionnaire was made using Webropol. Webropol was chosen as it gives readable data without any manipulation and its also used by Kiwa, so making it logical to use for the participants as well.

Before the questionnaire was sent to all the participants, the preliminary questionnaire was sent to two persons operating in the field of investment project. Based on those experiences and recommendations from the teacher, small finishing touches were made in order to get more valuable information out of the participants.

As questionnaire link was sent there was also an additional letter explaining the purpose of the thesis, and the benefits and goals it was aiming for. Below you can find the letter:

*“Hello colleagues!*

*As some of you might be aware, I am currently working on my Thesis with the subject: “Increasing Cross-sales in Investment Project Environment “. As a part of the thesis I am having a webropol questionnaire regarding our investment project organization, responsibilities and cross-sale strategies. You all have been pointed out by my superiors as people with strong background in project environment. I am gathering the data in order to get some views on possible problems in our current way of handling projects, and especially on current situation of cross-sales activities.*

*As I have been involved in our project organization I know that there are big questions that need to be addressed in our project environment activities. Those are though effected by our questions regarding our impartiality and role as a third party inspection provider. That is why I really hope that you will give good critique in the “open box” parts. All answers will*

*be handled with anonymity. In the end of questionnaire, I am only capable of seeing who has answered and who hasn't. You can choose to answer in English or Finnish. If you answer in Finnish, I will translate the answers into English if I choose to point them out in the Thesis.*

*After the questionnaire I am generating some suggestions for Kiwa based on the results of the questionnaire and also legislation, accreditation legislation will be taken into account. After that a strategy for cross-sales and an organizational model suggestion for project organization will be generated.*

*The questionnaire will take about 15min to 30min to make and I really hope you will find the time to answer the poll. I hope that the answers can be given on the latest on 30th of April. There is only 8 days for answering as I have to finish my Thesis before 19th of May.*

*If you have any questions regarding the questionnaire, please feel free to contact me.*

*Link to the survey / questionnaire is below.”*

### **3.3 Survey Responses**

In total the survey was sent to 21 participants within the organization and a total of 14 answers was received within the limited response time of 9 days (21-30.4.2022). The participants were chosen with Kiwa Inspectas business unit managers, Sales manager and CEO. The participants were chosen because they have had experience in investment project environment, both within Kiwa inspecta and in other companies. Amount of the participants was relatively small when compared to overall number of staff, but as the project organization models and cross-sales activities have until now been not of the highest priority, it was more or less clear that the total amount of possible participants was scarce. The total response rate was 66.7% which can be considered high as Philip Cleave (2020) states in his article *What Is A Good Survey Response Rate?* that “a survey response rate of 50% or higher is often considered to be excellent for most circumstances, with those at the higher end of the scale likely to have been driven by high levels of motivation to complete the survey, which could be as a result of a strong personal relationship between the business and the customer.”

The business segments participants represented are presented in the table below:

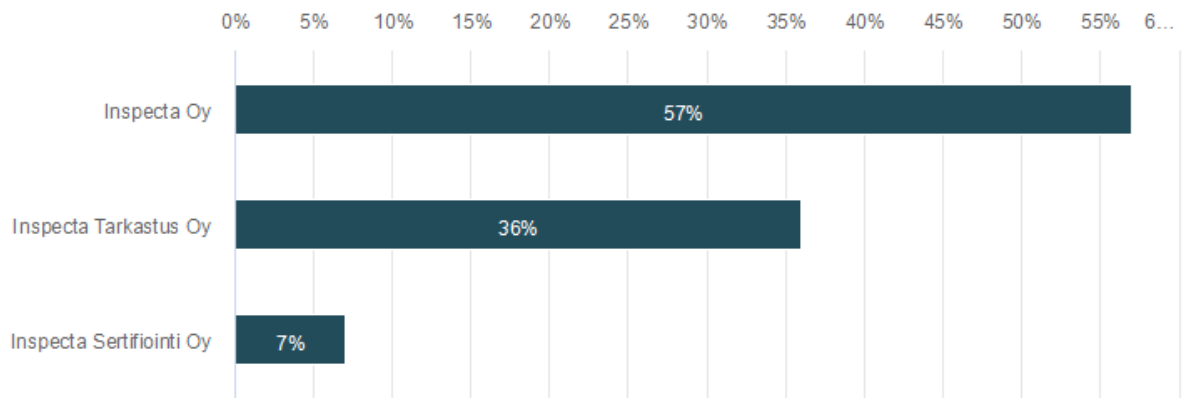


Figure 3-2 Employer distribution

As seen in the table, majority of the participants (eight) are working for Inspecta Oy, five of them are working for Inspecta Tarkastus and one is working for Inspecta Sertifiointi Oy. In the second question the role of the participant was asked in order to gain a understanding of their influence in sales activities and inspection work.

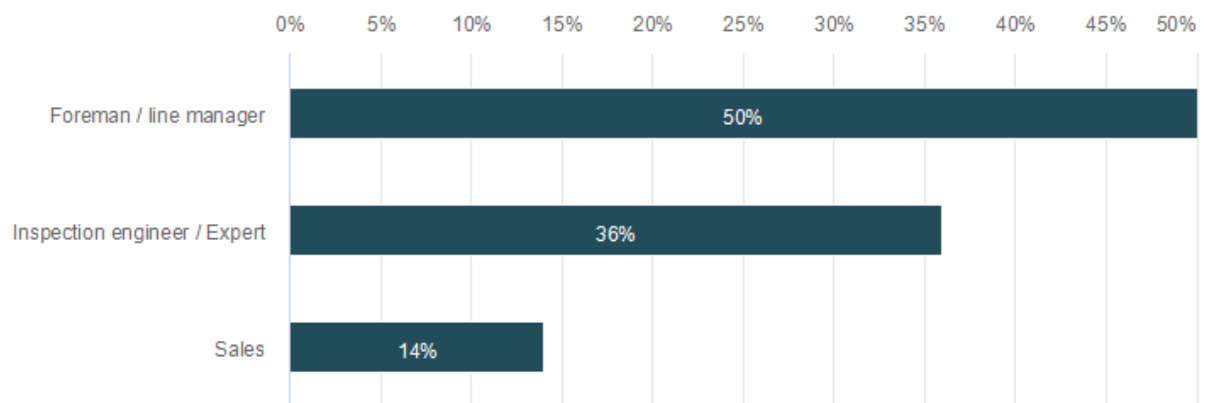


Figure 3-3 Role in Organization

As numbers seven of the participants were working as foreman / line managers, five as Inspection engineers / Experts and two in sales organization. In the third organizational question the service years for Kiwa was asked.

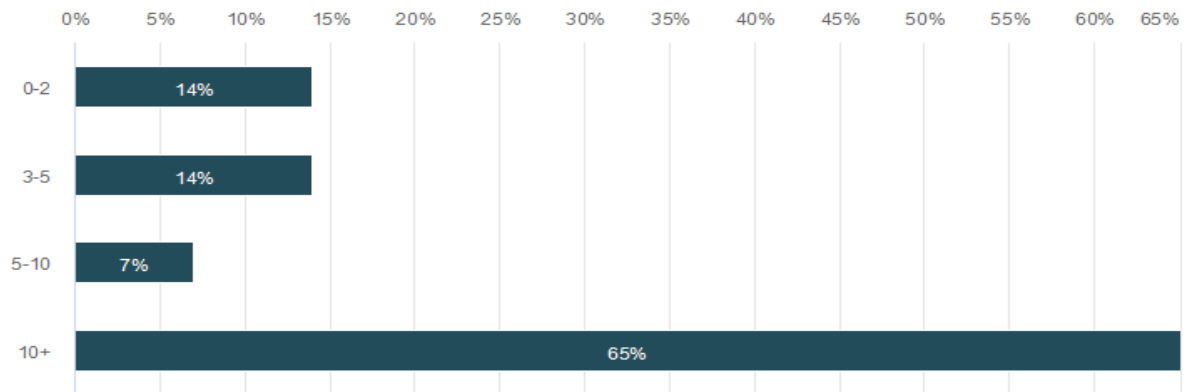


Figure 3-4 Work Experience in Kiwa (years)

As seen in Figure 3-4 most of the participants have been in Kiwa's service for over ten years. The total work experience of the participants is statistically so high, that it is fair to expect good understanding of structural aspects regarding the subject of this thesis. When investigating the total project experience of the participants presented in Figure 3-5 it is clear to say that the staff involved in investment projects in Kiwa are highly experienced.

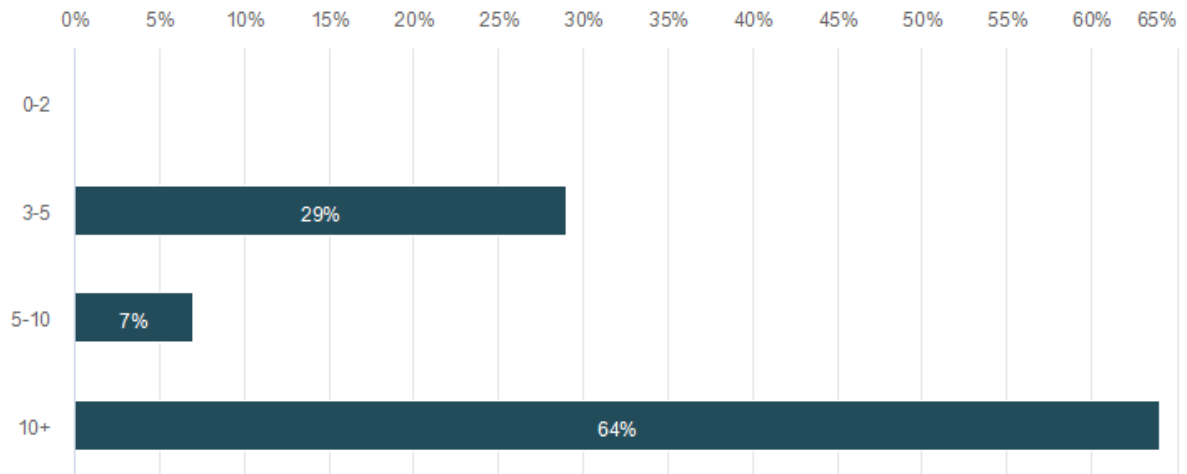


Figure 3-5 Investment Project Experience in Years



### **3.3.1 Research Question 1**

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### **3.3.2 Research Question 3**

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## **4 Results of the study**

By the end of the survey total of 14 out of participants answered in the survey. So, as mentioned before the response rate was 66.7% which was relatively high when compared to tight time schedule and overall reachability in client company's organizational culture. The amount of experience both in work years and project experience was at least from authors point-of-view high, and from that angle a good foundation for solid argumentation was proven.

As this questionnaire was anonymous in order to get straight as possible answers to open box questions, the relation between position in the companys hierarchy and answers was not possible to observe. For the purpose this thesis it was though not found critical and it was figured that the benefits of anonymity were greater than the opposite.

In the following four subchapters the results of the questionnaire is compared to the theory reviewed in literature review. Based on the results some recommendations regarding organizational structure, cross-sales responsibilities and impartiality are given in chapter 5.

### **4.1 Research Question 1**

*This part of thesis is classified*

### **4.2 Research Question 2**

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### **4.3 Research Question 3**

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#### **4.4 Limitations of The Results**

As the literature that is used as a foundation for the argumentation is not made for the case company in mind, but in universal theory that applies partially to all businesses but not totally to any, the results are open for discussion, but they serve as a good starting point for future development of investment project activities.

Worth mentioning is also that because the amount of participants in the questionnaire was limited, personal issues and experiences have greater impact than with larger survey where the “liar values” can be pointed out with less effort.

### **5 Conclusion**

In this part of the thesis the result a summary of the results and future actions in order to develop the investment project organization and by thus creating more cross-sales are given. Also the result is evaluated against the original research questions. In chapter 5.3 possible scenarios / ideas for follow up thesis’s linked to the subject are presented.

#### **5.1 Summary of the Results**

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#### **5.2 Result Evaluation**

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#### **5.3 Future Research**

As this thesis is starting more or less “from the scratch” there are plenty of ways to continue and develop the effort that was laid into this thesis and foundation for a better organization and increase in cross-sales. The main weight should from authors point-of-view be in the next subjects:

*Implementation of the organization and cross-sale improvement.* As this thesis is merely a theoretical one without any kind of execution of the ideas. A good follow up would be thesis / research with a pilot project in which the lessons learned in this thesis would be brought into use and the successfulness of the implementation would be assessed and potentially some improvement ideas would further be discussed.

*Financial benefits* There are two possible options for financial research regarding the subject. One would be to make a pre implementation calculation of the potential financial value of the organizational change. The other would be to make research on the value generated by the implementation and then make suggestions that would generate more revenue and income.

## **5.4 Closing Words**

I want to thank the organization of Kiwa Inspecta Finland for giving the time and resources in order to make this thesis. Especially I would like to thank Quality Manager Paula Kurola for giving support with matters regarding impartiality assessment, Marketing Manager Milla Kulkas for help with creating the survey and CEO Jussi Ojanen in all matters regarding the research. Also, a huge gratitude goes to my thesis supervisor Mikael Ehrs for his support with my work.

Also, my wife and family deserves a huge thanks for their patience as I have been working with my dreams.

As the late Thomas Edison once said: *“Our greatest weakness lies in giving up”*.

## **6 Appendixes**

Appendix 1: *This part of thesis is classified*

Appendix 2: *This part of thesis is classified*

Appendix 3: Finas A8/2016

Appendix 4: Administrative Procedure Act 434/2003 + 893/2005

Appendix 5: *This part of thesis is classified*

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**Appendix 1: Questionnaire 1/4**

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**Appendix 1: Questionnaire 2/4**

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**Appendix 1: Questionnaire 3/4**

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**Appendix 1: Questionnaire 4/4**

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**Appendix 2: Results of the Questionnaire 1/9**

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**Appendix 2: Results of the Questionnaire 2/9**

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**Appendix 2: Results of the Questionnaire 3/9**

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**Appendix 2: Results of the Questionnaire 4/9**

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**Appendix 2: Results of the Questionnaire 5/9**

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**Appendix 2: Results of the Questionnaire 6/9**

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Assessment of Impartiality  
– Principles Applied by FINAS

Finnish Accreditation Service FINAS

Helsinki 2016



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### Foreword

This policy document for FINAS was drawn up in 2011–2012 by a working group appointed by the Advisory Committee for Accreditation Matters (VANK-P). The new version A8/2016 replaces the previous version A8/2013. In the new version, providers of proficiency testing have been included.

The purpose of the policy documents is to clarify the application of accreditation requirements in practice. They have been drawn up taking into account the principles agreed within the international cooperation organizations of accreditation bodies (European co-operation for Accreditation (EA), the International Laboratory Accreditation Cooperation (ILAC) and the International Accreditation Forum (IAF)).

The policy documents currently in force are presented in FINAS Leaflet 10 "FINAS accreditation criteria, policy documents and guidelines".

Further information: [www.finas.fi](http://www.finas.fi)

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### 1 Introduction

The requirements for impartiality laid down for accreditation activities are always based on requirements presented in international standards underlying accreditation and in the legislation pertaining to the operations being assessed.

This policy document discusses the identification, analysis and elimination of risks associated with impartiality and independence. The various manifestations of impartiality are presented by means of examples.

The working group discussed the changes in procedures and in the operating environment that have been identified since the previous VANK report (Independence of assessment bodies, 2002) had been published.

### 2 Assessment of impartiality, concepts and vocabulary

This section describes the various actors in conformity assessment and their tasks. In addition, an effort is made to open up and clarify the vocabulary pertaining to impartiality. Laws and regulations often use different terms for the various attributes associated with impartiality even though they mean the same thing.

#### 2.1 Perspectives on the assessment of impartiality

Assessment bodies operating in different sectors need to take different measures to secure impartiality. The assessment body's task or role must also be taken into account.

**At inspection bodies**, the operating environment determines the procedures for ensuring impartiality. Inspection bodies are divided into three types in terms of impartiality requirements.

- An inspection body of type A is impartial of the parties involved in the activities, i.e. "a third party".
- An inspection body of type B conducts inspections for the parent organization and is a separate element of the organization.
- An inspection body of type C can conduct inspections for both the parent organization and outsiders. The inspection body must ensure that there is sufficient distance between the responsibilities for inspections and other operations.

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Inspection bodies may work in a voluntary sector or they may perform statutory tasks. In the latter case, their role is defined according to the relevant statute. Inspection bodies conduct conformity assessment against the requirements that have been documented.

As a rule, **certification bodies** are impartial third-party actors and operate generally in the voluntary sector, but they can also operate in the regulated sector, for instance, as a notified body. Certification organizations assess products or systems usually by comparing the object against a model derived from standards. The structure of certification organizations must enable the involvement of stakeholders (a committee monitoring impartiality/independence). Stakeholders ensure the impartiality of certification by influencing the definition of principles and procedures.

**Verifier organizations** are equated with third-party actors in terms of impartiality requirements. The verifier organization must have a mechanism to ensure impartiality and to identify conflicts of interest. This mechanism may be a committee like those of certification bodies, or some other arrangement.

**In testing and calibration**, the primary objective of ensuring impartiality is to ensure the integrity of results. However, testing laboratories may also be expected to act as a third party, for instance, when they serve as notified bodies.

**Proficiency testing providers** are providing external proficiency tests for laboratories and inspection bodies. Customer results are handled objectively and impartially. A special feature in providing proficiency testing is that external expert are used. It is essential to ensure the impartiality of all the experts.

Aside from the above bodies, it is possible to identify actors in conformity assessment that are expected to be impartial but that are not subject to accreditation and assessment of competence. Examples include persons determined to be competent (an authorized person, an approved expert), consultants and consultancy.

### 2.2 Manifestations of impartiality

- Objectivity
  - In regard to assessments, objectivity primarily means the fair and equal treatment of customers.
- Impartiality
  - Financial impartiality
    - The proceeds from the conformity assessment body's operations cover the costs of assessment. Assessment is not dependent on, or supported by, the organization's

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- other operations. An initial outlay of funds may be needed when new activities are launched. However, the conformity assessment body must have a plan for attaining financial impartiality.
- Operational impartiality
    - Assessment tasks are not linked to the organization's other tasks or services, for instance, through joint pricing, marketing, sales or supply.
  - Organizational impartiality
    - The conformity assessment body must be impartial in decision-making pertaining to assessment tasks. Within the organization, the conformity assessment body may not be placed in a position or in a chain of command that is in conflict with impartial operations. This may concern, for instance, an inspection body of type B.
  - Objective impartiality
    - There is no justified suspicion about the conformity assessment body's activities; in addition to subjective knowledge and experience, the activities must also appear to be impartial to outsiders.
  - Subjective impartiality
    - In the conformity assessment body's own view, its activities are impartial.
  - Internal impartiality
    - Comprises the various functions within the organization and how they have been separated so as not to endanger the impartiality of inspections (testing, certification, other services).
  - External impartiality
    - Comprises other (prohibited) tasks outside the organization (planning and comparable consulting, manufacture, supply, installation, operation, servicing, ownership).
  - Threat of self-interest, threat of checking one's own work
    - These are associated with financial or other conflict of interest, such as a direct or indirect interest in a customer, excessive dependence on fees paid by the customer, fear of losing the customer, ties between salaries, and the number or outcome of contracts.
  - Threat of proximity (or loss of trust)
    - A prolonged or close relationship with the customer may cause an overly positive attitude or excessive trust in the information provided by the customer and lack of objectivity.
  - Threat of pressure

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- An influential customer pressurizes or threatens.

In addition, there are many expressions and terms associated with impartiality that are not defined in more detail here, e.g. disqualification (Administrative Procedure Act, Section 28<sup>1</sup>), objectivity, professional integrity, autonomy, sovereignty, authority, freedom of decision-making, openness.

### 3 Importance of impartiality in assessment

Impartiality is one of the most important means of confidence-building. Competent operations are the starting point for the validity of results. An impartial party is used when the objective is to ensure or show the validity and reliability of results. Examples include the use of an external testing laboratory to show that the requirements set for a product are met, the role of notified bodies in proving conformity, or a certification organization's verification that a company's quality system conforms to a standard.

Conformity assessment is conducted so that the various parties to all types of activities (service provider, customer, user of the results, other external bodies) can trust each other. It is therefore required that assessors of conformity are impartial of the objects assessed and of other parties participating in the activities. In consequence, impartiality is a crucial factor. Conformity assessment for which there is no impartiality requirement is outside the scope of this document.

Impartiality is not a simple concept; it is manifested at different levels. The level of impartiality may vary depending on the service provided by the conformity assessment body, or it may also be associated with the product's life cycle, such as the use of notified bodies when the product reaches the market, and the use of inspection bodies when products are on the market (maintenance of safety).

Traditionally, the impartial party's activities have been linked to safety or to the fulfilment of environmental requirements; for instance, the testing of food, the purity of water for swimming, or the inspection of lifts. As a new sector, an impartial party is used to verify the correctness of information (verifiers); for instance, information on the emissions of greenhouse gases or the proportion of renewable energy in power generation.

In its simplest form, impartiality appears at a production plant where testing is conducted separately from production. In such a case, testing as an activity

<sup>1</sup> Administrative Procedure Act 6.6.2003/434

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impartial of production ensures the fulfilment of the producer's own requirements. The other extreme consists of actions conducted by a fully impartial third party that are required by law or that the operator wants to use voluntarily. Examples of this include the activities of notified bodies in the regulated sector, and certification in the voluntary sector.

To an increasing extent, official tasks have been transferred from the authorities to commercial operators or otherwise outside the official organization. Such operators have a public administrative function and they are partly equated with the authorities, e.g. as concerns the requirements applied to them. In addition to being sufficiently competent, operators are expected to review and prove their impartiality. Examples of such operators are inspection bodies, e.g. for lifter and fire extinguishing equipment, and certified vehicle experts, GHG verifiers and notified bodies.

When these organizations carry out statutory tasks, they are partly subject to the same requirements as the authorities. In such a case, the tasks defined by legislation and other relevant activities must be implemented in compliance with the requirements pertaining to the discharging of public administrative tasks (e.g. the Administrative Procedure Act, the Act on the Openness of Government Activities, the Act on Archives, the Language Act, the Act on Electronic Services and Communication in the Public Sector, the Criminal Code Chapter 40 on offences in office). (VANK-V Memorandum no. 11, 2007)

Apart from the new tasks introduced through legislation, other changes are also taking place in the operating environment of conformity assessment bodies. Operations are rapidly becoming international in many sectors; the resulting new types of issues also have an impact on impartiality. Likewise, the assessment of impartiality faces new kinds of challenges.

Some conformity assessment bodies are large, internationally active organizations whose multifarious commercial and other interests must be considered when impartiality is assessed. On the other hand, there are newly established small conformity assessment bodies where the review of impartiality mainly concerns relations at personal level.

## 4 Central elements of impartiality

The risks to impartiality listed below have either been noted in assessments or are considered potential risks.

- Laboratories:

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- the personnel's other tasks, for instance, a dual role for the person in charge (as the approving authority and as the person in charge in the laboratory),
  - pressures caused by production or other operations
  - pressures linked with being a customer
  - linked subcontracting
  - the status of an industrial laboratory in official supervision
  - Inspection bodies:
    - other tasks assigned to the organization and personnel (planning, consulting, maintenance)
    - ownership (e.g. a separate company, but owned by the manufacturer of the product)
    - agreements (cooperation, e.g. with a maintenance firm)
    - arrangements for subcontracting (indistinct division of responsibility)
    - use of external resources (working relations, physical distances)
  - Certification organizations:
    - training (training tailored to each customer's needs)
    - substantial use of external resources and the interests of these persons
    - consulting (activity serving the customer's interests – may conflict with impartial activities)
    - paying a fee for new customers
    - conducting internal audits on behalf of customers
  - Verifier organizations
    - other tasks assigned to the organization or personnel, such as planning or expert tasks
    - financial or other pressures (the activities are of great economic importance and the customers are large companies)
    - consulting (activity serving the customer's interests – may conflict with impartial activities)
    - risks associated with being a customer (the importance of being a customer in other activities)
  - Proficiency testing providers
    - other tasks assigned to the organization or personnel
    - significant use of external resources, relationships of external experts
    - pressures caused by time schedules
    - subcontracting

Assessment focuses on the realization of impartiality at the organizational level (separate organization, joint management, "chain of command", organizational structure, e.g. matrix organization), at the individual level (other tasks, interests,



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etc.) and at the operational level (the relationship between other tasks and activities requiring impartiality).

The equal treatment of customers is closely related to impartiality.

Some sectors (e.g. certification) require that the assessment also ensures the participation of stakeholders in the process of ensuring impartiality.

### 5 Application of the policy document, examples

Risk assessment conducted by the organization itself can be regarded as the key assessment principle. In risk assessment, the organization shows that it has recognized the essential risks associated with the impartiality of its operations. Thereafter it is determined whether the risk associated with impartiality can be accepted or whether precautions must be taken to minimize or eliminate the risk. This is followed by a decision on the precautions that are applied to bring the risks down to an acceptable level. The precautions decided upon are carried out. All assessments, reviews and decisions made, as well as the implementation of the decisions, must be documented. The monitoring and supervision of compliance with the precautions is a very important element. Although it can be done in-house, in very small organizations it may be necessary to use an outside expert. The management of impartiality must encompass the accreditation requirements and the restrictions placed on operations. Organizations must have mechanisms for continuously ensuring that the interests held by internal and external resources or subcontractors do not involve a risk to impartiality.

Examples of risks to impartiality in various sectors and in different types of organizations are presented below.

#### **The laboratory of an industrial facility in environmental health monitoring**

- By law, an accredited laboratory owned by an industrial facility can be approved as an official laboratory.
- The accreditation standard SFS-EN ISO/IEC 17025, 4.1.4 requires that the laboratory is impartial.
- Accreditation notwithstanding, situations where the laboratory would analyse samples taken by the authorities of the facility or its products, or a competitor's corresponding samples, could arouse great suspicions concerning impartiality, at least among outsiders. For this reason, the

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authorities recommend that municipalities would not commission laboratories of production facilities to analyse samples taken by the authorities of the same facility or its products, or corresponding samples of competitors' products.

- However, the final decision of the laboratory used by a municipality for environmental health monitoring is made by the local authorities themselves. The local authorities are also responsible for any consequences that the decision might have.
- Analysis services for self-monitoring samples can be sold to other facilities.
- On the other hand, the fact that there are no obstacles to using an industrial facility's laboratory for analysing samples taken by the authorities has been found to be a good thing in individual situations; for instance, if there is an urgent need and other laboratories are located far away.
- In connection with municipal mergers, environmental laboratories are being merged with water boards. It has also been discussed whether problems will occur if samples taken by the authorities are analysed in the water board's laboratory.

#### **The impartiality of laboratory personnel when persons have different roles**

- Since Finland is a small country, there are often situations where laboratory personnel also handle environmental health monitoring tasks for the local authorities. For instance, a laboratory technician serves as a health inspector, a laboratory chemist also works in environmental health monitoring, the laboratory manager is simultaneously the leading hygienist for the joint municipal authority (= head of environmental health monitoring). Sometimes people in dual roles also make decisions in both roles (e.g. as a supervisor and as the person responsible for the analyses).
- Disqualification is not usually associated with the position, but instead is specific to each situation. The difficulty stems from the fact that the same person acts in two different roles. In such situations, the person must recognize the grounds for disqualification referred to in Section 28 of the Administrative Procedure Act and, whenever necessary, declare himself/herself disqualified.

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#### **Impartiality of inspections in relation to servicing and how to resolve links between servicing and inspection**

The scheduled inspection of lifts and overhead doors as examples

- Case 1: The customer requested competing tenders for the servicing of lifts from maintenance firms. The competitive tendering was won by Maintenance Firm A, whose tender also included scheduled inspections, as required by the terms of the competition. In this model, Maintenance Firm A manages the inspections with an inspection body of its choice. The invoices go to Maintenance Firm A, which selects the inspection body. The customer is among the largest in the region, and is locally significant.
- Case 2: Maintenance Firm B for overhead doors provides its customer with a fixed-price package where responsibility for doors is transferred to the maintenance firm. The package includes the statutory scheduled inspections that Maintenance Firm B orders from an inspection body of its choice.

In both cases, the maintenance firm orders the work and uses decision-making power when the inspection body is selected and when the inspection times are set. The results of inspection (records) and invoices are addressed to the maintenance firm.

- The requirements for inspection bodies of Type A laid down in SFS-EN ISO 17020 apply to the inspection bodies in the examples. The standard also presents the impartiality criteria (Annex A).
- As maintenance in this sector is highly concentrated, individual maintenance firms can be considered to have great influence. Inspections are generally seen to be impartial. Acting as a subcontractor for the maintenance firm may undermine confidence in the inspection body's impartiality, nor does it meet the impartiality criteria laid down for inspection bodies of Type A.
- Scheduled inspections are conducted in accordance with decision KTMP 663/96 issued under the Electrical Safety Act. The scheduled inspection must ensure, among other things, that it is safe to use the lift and that the lift has been serviced according to the maintenance programme.
- This inspection also gives the owner of the lift an assessment of how well the maintenance firm has followed the maintenance programme. The inspector's decision may have an impact on the maintenance firm's

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business. In such a situation, there could be the risk of someone influencing the outcome of the inspection (for example, a note that the lift has not been serviced according to the maintenance programme causes problems for the maintenance firm).

- In terms of impartiality, the various actors in the inspection (owner, maintenance firm, inspection body) have clear-cut roles based on the requirements laid down in statutes. The agreements made between the various actors help clarify the roles and tasks (e.g. a servicing agreement between the maintenance firm and the lift owner, an inspection agreement between the lift owner and the inspection body).
- The maintenance firm has a role defined in law, which the inspection body monitors to the extent determined by the relevant statutes. In the commercial sense, the maintenance firm cannot be considered a representative of the customer vis-à-vis the inspection body. The inspection records are always given to the owner or the owner's representative, while the maintenance firm receives a copy. In addition, the invoice is addressed to the lift owner directly; it is not handled through the maintenance firm.

The examples with the lift and overhead doors illustrate the "one-stop shop" principle, which has also spread to other fields, such as the verification of fuel meters. This practice occurs in other sectors as well and is likely to increase as service and maintenance are outsourced. The ensuing problems include lack of transparency, inadequate disclosure of inspection prices, and a situation where the inspection body's direct link to the maintenance firm may pose a risk to impartiality (overly strict inspection, which means more work for the maintenance firm, or the maintenance firm expects the inspection body to approve the maintenance because the firm does not want to do extra work within its fixed-price maintenance agreement).

#### **Several functions or services requiring impartiality are located in the same organization**

Organizations have grown over the years and new organizations have also been established. Larger organizations have been created, for instance, by merging previously unfamiliar organizations in connection with business acquisitions, or by gathering together units doing similar tasks within an existing organization.

- Synergy has often been seen as an important motive; thus, the new large organizations created generally do similar things.

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- The tasks may include certification, conformity assessment conducted as a notified body, type inspections, in-service inspections, or some other activities supporting these tasks (testing or analysis).
- In some cases the various functions within an organization, which themselves require the verification of impartiality, constitute an impartiality threat to each other. A recurrent example could be the coexistence of product certification, system certification and inspection activities within the same organization, where they are implemented using partly the same resources.
- Often these problems have been resolved by drawing strict boundaries between departments or even between companies.

### **Problems in reconciling competence and impartiality.**

Persons within an organization exchange duties among themselves: they consult, service, plan and assess. For inspection bodies of Type A, this does not meet the impartiality criteria.

- Within the same organization, person A consults or services and person B assesses or inspects company X, whereas for company Y, persons A and B switch roles. Tasks are exchanged, which means that people assess their colleagues' work. When the impartiality of a third party needs to be guaranteed, impartiality must be examined more widely than at the individual level.
- A company asserts that its employees are competent to inspect certain products because they also plan them. In their opinion, they guarantee impartiality by not inspecting products that they have planned themselves. In practice, inspections are conducted on products planned by competitors (problem: competitors' solutions are not approved, or by taking on an inspector's role, one tries to obtain information about the competitor's solutions that would not be available otherwise).

### **Use of external resources in an organization**

- People's other work tasks and links may be difficult to verify and assess.
- It is not always clear if a person is in the right role as a representative of the organization.
- It may be difficult to obtain information about the interests of people's employers (if other than the inspection body).

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There must be explicit agreements on the use of all external resources. These agreements specify the rights, duties and any restrictions that the persons/organizations may have. When providing information, both contracting parties must take care not to pass on misleading information.

### Matrix organizations

- A person has different supervisors for different tasks; allocation of resources (time) may then be problematic.
- The activities being assessed have little importance for business; in such a case, special features may not be taken into account adequately.

In these situations, assessment is used to determine who decides on personnel resources and to ensure that personnel resources and reporting chains are clear. At a sufficiently high level, the organization must be committed to the requirements that the operations are expected to meet.

### Virtual organizations

- Resources are not known or the persons have not been designated in advance. Instead, it is thought that the necessary expertise is gathered when the need arises.

The assessment of competence is impossible without designated persons; determining the chain of command should also be clear. The set of persons among whom the participants are selected must be defined unambiguously in order to enable the analysis of risks to impartiality.

### Pressure on persons participating in conformity assessment or other risks

- People must have enough time to complete their tasks with due care.
- Equal treatment of many customers even if some customer is more active/more demanding than the rest.
- Even when the work is done as piecework, there should be no temptation to minimize the time used for the task.

The organization must identify risks of this type and define the means for eliminating them.

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### 6 Summary and conclusions

Standards used in different sectors as accreditation requirements define impartiality criteria at different levels. This is partly because of the diversity of operations, partly because of the spirit of the time when the standard was drafted. It can be seen, however, that requirements are gradually becoming more pragmatic.

Changes in legislation have encouraged new kinds of conformity assessment actors to enter the market. Public administrative tasks are assigned to private and commercial operators. This means that assessments are performed by organizations that have no previous experience of conformity assessment services. On the other hand, the requirements of indirect State administration and their application to conformity assessment bodies have become clearer over the years, as statutes explicitly state the legal requirements that conformity assessment bodies must comply with, in addition to special legislation.

Internationalization and networking have brought new elements to the assessment of impartiality. The outsourcing of processes and increased subcontracting also pose challenges alongside longer supply chains.

Amidst these changes, impartiality has become an important requirement so that various parties acting in society can trust each other.

This publication has examined the concepts and assessment principles of impartiality, classified according to the type of service produced by the conformity assessment body and whether the activities are statutory or voluntary. The requirements and potential risks in the assessment of impartiality have been examined both in the light of international standards and with the help of a few practical examples.

The examinations have not revealed any shortcomings in standards or in national guidelines. Nevertheless, practical experience shows that ensuring impartiality occasionally leads to problematic situations.

A generally encountered factor, and perhaps the most important risk to impartiality, consists of the services outside actual assessment that are provided by the assessment body, its parent or subsidiary organizations, or other entities having a close contractual relationship with the body in question. The risk resulting from these functions is also seen in many examples.

The main conclusion is that conformity assessment bodies can be encouraged to plan and apply tailored means to eliminate risks endangering impartiality.

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The examples presented provide guidance on concrete risks and how to eliminate them. The means to be implemented vary according to the type of conformity assessment body and the sector involved.

## 7 References

Independence of Assessment Bodies, Final Report of the VANK Working Group, Ministry of Trade and Industry Working Group and Committee Reports no. 14/2002

Advisory Committee for Conformity Assessment Matters (VANK-V), Memorandum 11: "Inspection Bodies and Legislation Concerning Public Administrative Tasks" (14 March 2007)



## Appendix 4: Administrative Procedure Act 434/2003 + 893/2005 1/2

### **Section 27**

#### **Disqualification**

A public official shall not participate in the consideration of a matter or be present during such consideration if he or she is disqualified.

The provisions on the disqualification of a public official also apply to members of multi-member bodies and other persons participating in the consideration of a matter, as well as inspectors in their inspection duties.

### **Section 28**

#### **Grounds for disqualification**

A public official is disqualified if:

- 1) he or she or a person close to him or her is a party to the matter;
- 2) he or she or a person close to him or her serves as counsel for or represents a party or a person who can be expected to experience a particular gain or loss from the decision on the matter;
- 3) he or she or a person close to him or her as referred to in subsection 2, paragraph 1 can be expected to experience a particular gain or loss from the decision on the matter;
- 4) he or she is employed by, or, in relation to the matter under consideration, works on the commission of, a party or a person who can be expected to experience a particular gain or loss from the decision on the matter;
- 5) he or she or a person close to him or her as referred to in subsection 2, paragraph 1 is a member of the board of directors, board of administration or a comparable body, or is the managing director or holds an equivalent position, in a corporation, foundation, unincorporated state enterprise or public body which is a party or can be expected to experience a particular gain or loss from the decision on the matter;
- 6) he or she or a person close to him or her as referred to in subsection 2, paragraph 1

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is a member of the board of management or a comparable body of an agency or public body and the matter in question relates to the guidance or supervision of the agency or public body; or

7) confidence in his or her impartiality is endangered for another particular reason.

In subsection 1, a person close to a public official refers to:

1) the public official's spouse, a child, grandchild, sibling, parent or grandparent of the public official, or a person who is otherwise particularly close to the public official, or the spouse of any of these;

2) a sibling of a parent of the public official or the spouse of such a sibling, a child of a sibling of the public official, or a former spouse of the public official; or

3) a child, grandchild, sibling, parent or grandparent of the public official's spouse, the spouse of such a person, or a child of a sibling of the public official's spouse.

A corresponding step-relative is also considered to be a person close to the public official. The term 'spouse' refers to a marriage partner or a person living in marriage-like circumstances or in a registered partnership with the person concerned.

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