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The Case for Third-Party Independent Certification

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The Case for Third-Party, Independent Certification

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It is the responsibility of any responsible employer to hire good people and then equip them with training, education, and resources so they can be successful in their roles. This talent development process spans many industries and types of companies.

The talent development process often requires a professional to be competent within a role or job function. Indeed, this competency development and assessment often is undertaken to raise the credibility of the professional who is delivering a product or service.

Is it better to develop and assess this competency internally, or to outsource it to a third-party organization?

A good, safe, noncontroversial answer is probably, "It depends." But I don't really believe it depends. I think it is always better to look outside the organization when setting a competency standard for employee-professionals.

Let's say you are the head of advisor services for a financial services firm that employs thousands of professional advisors. One of your many challenges is showing current and potential clients that Advisor A is competent in delivering investment management services to individual or institutional clients such as 401(k) plans, nonprofit foundations, etc.; Advisor B serves general financial-planning clients; Advisor C is competent in complex issues faced by wealthier clients; and Advisor D delivers retirement-planning services.

Your initial response when faced with this challenge is to ask your chief talent development officer (CTDO) to propose a budget and plan that funds the development and delivery of training and education, and a method for assessing competency of the professionals.

Maybe the CTDO is a smart cookie, perhaps even a Certified Professional in Learning and Performance® (a credential administered by the Association for Talent Development).[1] So the CTDO decides to look outside the organization to see if there are legitimate, rigorous, industry-wide standards for all of the financial advisor jobs listed above. Indeed, there are many; but for Advisor A described above, a legitimate third-party standard is CIMA® certification; for Advisor B, CFP® certification; for Advisor C, CPWA® certification; and for Advisor D, RMA℠ certification.

After learning all about these designations, the CTDO comes back to the company executive with a recommendation. But surprisingly and amazingly, the company still decides to build the standards internally.

Employers decide to build these education solutions and competency standards internally for the following four reasons:

Control: The groups or executives being asked to look into developing competencies for employees often also are in charge of training and development and want to maintain their own value and the value of the teams or experts that work for them. There is a decision-bias of "not-invented here" that can cloud good decision-making.

Faux credibility: Companies like to market internal certificate programs to unsuspecting customers as certifications. Customers generally have no clue about how to assess the validity of a certification (or lack thereof).[2] It is in companies' business interest to keep the bar low so that nearly everyone gets in.

Take it and then leave it: Rather than being incented to earn an outside credential, employees often are required to complete the internal designation and if they ever leave the firm to go elsewhere, the internal designation stays with the firm that minted it. Firms see such internal certification as a form of "golden handcuffs," but for professionals who have legitimate external alternatives, it's a deterrent to employee retention.

Paternalism: Firms often strongly believe that they are the best source of knowledge around a process, product type, or service model. Yet an important part of being the best is knowing when to outsource to the experts.

THE CASE FOR THIRD-PARTY, INDEPENDENT CERTIFICATION

EXPERIENCE AND LEGITIMACY

Third-party certification bodies have spent years developing, refining, and improving an objective body of knowledge. This process is extensive and evolves over time—it is not conceived by the CTDO or the firm's favorite subject-matter expert or product development unit.[3]

The industry job analysis drives all the standards required for certification of a professional. It defines the experience, education, ethics, and examination requirements, including the examination blueprint.

The examination blueprint—indeed the examination itself—usually is administered by a psychometric testing partner. Psychometrics is a fusion dish of psychology and statistics. The field is concerned with the objective measurement of skills and knowledge, abilities, attitudes, personality traits, and educational achievement. Some psychometric researchers focus on the construction and validation of assessment instruments such as questionnaires, tests, raters' judgments, and personality tests.

Legitimate certification bodies are accredited by NCCA[4] or ANSI/IEC/ISO 17024,[5] or meet the best practices promulgated by these standards. By doing so, they have demonstrated that they can qualify professionals consistently in a field or job using a legally defensible process. This provides even greater protection to the employer, the professional, the customer, and the industry.

Investments & Wealth Institute research in partnership with the consumer research firm AbsoluteEngagement.com (2017), using more than 1,000 responses from clients of financial advisors, reveals attitudes about advisor expectations and professional certifications.[6] Investors surveyed say it's important or critical that advisors:

- meet a rigorous set of standards to be certified (86 percent rate "important" or "critical")
- meet ongoing standards in order to maintain their credentials (86 percent)
- lose their credentials if they fail to meet ethical standards (88 percent)
- earn credentials issued by an objective, nonprofit, third-party certifier (78 percent)

INTERNAL DESIGNATIONS AND TRAINING PROGRAMS CREATE RISK

When professionals hold themselves out as having competency in a job or skill that is delivered by the company that employs them, both the employer and the professional accept a certain amount of responsibility for the claim. As a result, employer-developed internal designations represent a liability risk to the firm. Fair or not, there is a perception by the public, regulators, and the media that employer-developed internal designations require less rigor because they are internal instruments. As a result, internal designations fall under greater scrutiny if there is a client complaint or regulatory issue caused by a certified professional's actions. The reputational loss and lost credibility can be a blemish on a company that prides itself on strong training and development.

When a third-party, objective certifier takes responsibility for the assessment of competency, the firm has relatively less liability in this arena. A certifying body's ability to set, administer, and enforce competency and ethics standards for professionals bolsters the firm's compliance efforts by managing the risk and liability associated with incompetent or unethical advisors. These standards are administered by a professional review board of peers that uses fair, transparent, and objective standards developed over many years.

FINAL THOUGHTS

Third-party credentials may cost more in the short term, but they end up saving the firm money, reducing liability, and generating more return on investment.

There is no question that consumers have become more sophisticated in recent years, and this includes their education about the quality of designations. As a result, the business-development and client-service value of internal designations has declined.

Acquisition and retention of professionals who work in any of the knowledge management fields is improved when employers are willing to invest in their knowledge. Over time, numerous studies have shown the return on this investment.[7]

Enhancing the professionalism of your employees through third-party certification results in a direct positive impact on your business. Enhancing the knowledge and skills of employees has a direct positive impact on customer service, retention, referrals of new customers, customer share of wallet, team development, and employee confidence and satisfaction.

Companies often do a terrific job with internal line-level training and development. But when it comes to denoting

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competency, firms, employees, and customers all benefit when certifications come from the independent third-party organizations that develop, establish, and enforce voluntary standards for professionals.

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ENDNOTES

1. "CPLP Certification," https://www.td.org/certification.
2. Sean Walters, "Does your Credential Pass the SMEL Test?" (January 11, 2018), https://www.linkedin.com/pulse/does-your-professional-certification-pass-smel-test-sean-walters-cae/.
3. Sean Walters, "Evolving a Professional Body of Knowledge" (January 21, 2018), https://www.linkedin.com/pulse/evolving-professional-body-knowledge-sean-walters-cae/.
4. See http://www.credentialingexcellence.org/ncca.
5. See https://www.ansi.org/accreditation/credentialing/personnel-certification/.
6. AbsoluteEngagement.com and Investments & Wealth Institute, Investments & Wealth Client Research 2017 (2017), http://investmentsandwealth.org/getmedia/b32fa3e4-664a-41e1-bbe7-a1ba17d696e7/17-Client-Engagement-updated.pdf.
7. James J. Green, "Measuring Your Personal Return on Investment," *Investments & Wealth Research* 3-2018, https://investmentsandwealth.org/getattachment/3f0c636d-e38e-4595-8186-2154bbdd143d/2018-3-InvestmentsWealthResearch.pdf.

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