

An executive perspective of auditing



“Auditing & Governance in a changing Economy”

Presentation to SAATCA
by Paul Harding

Setting the right course to reach your business goal



Do you know where
you want to go?

Have you mapped out
your course?

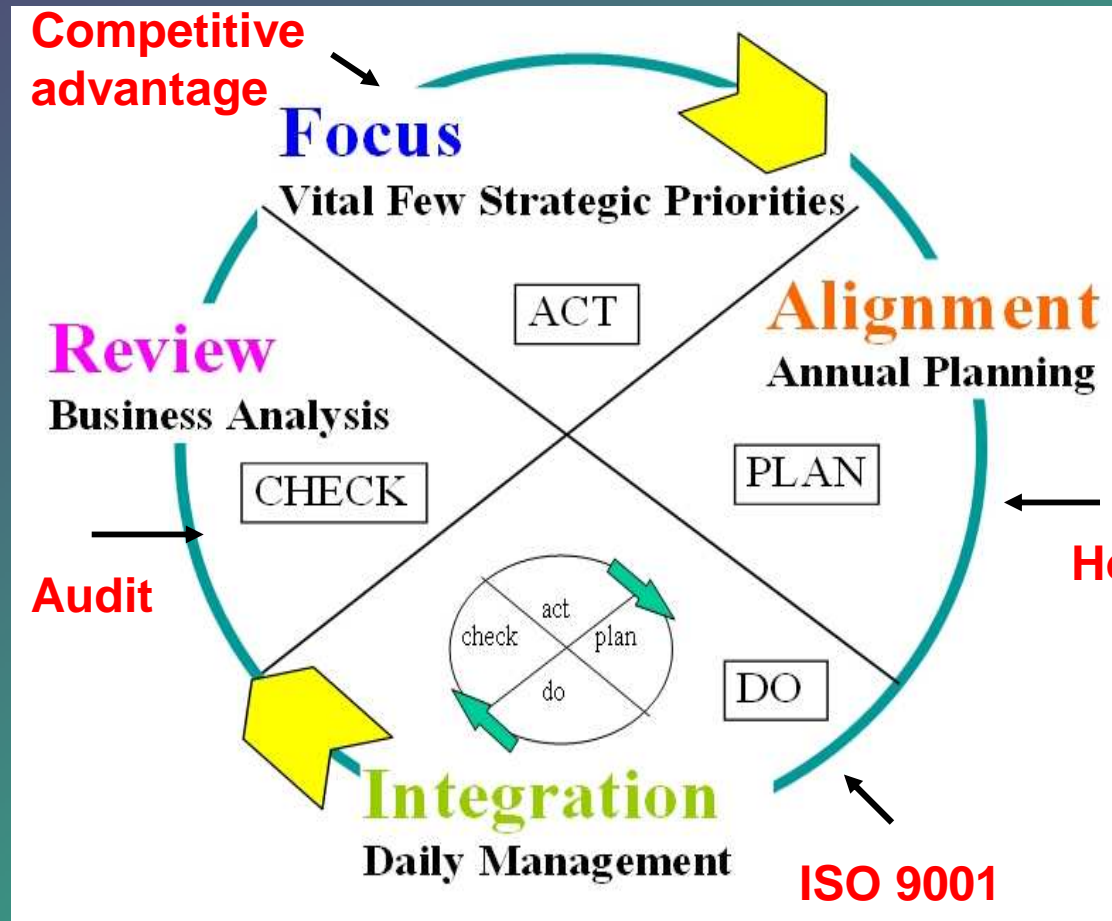
Who is the pilot and
who is onboard with
you?

Did Lehman Brothers conduct executive audits?



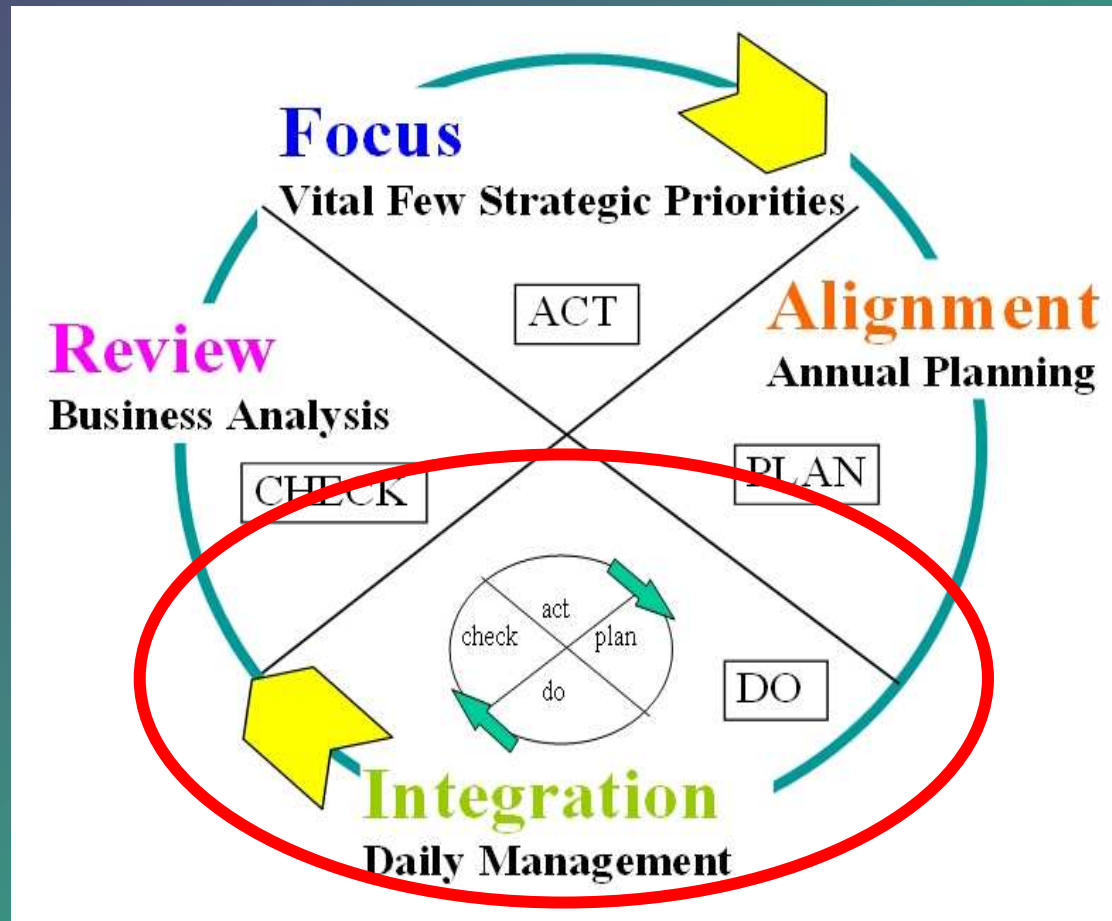
Who's Lehman Brothers?

The FAIR model of Strategic management



Acknowledgement: Dr Barry Witcher UEA

The Integration phase



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The foundation of quality is standardization

Daily Management

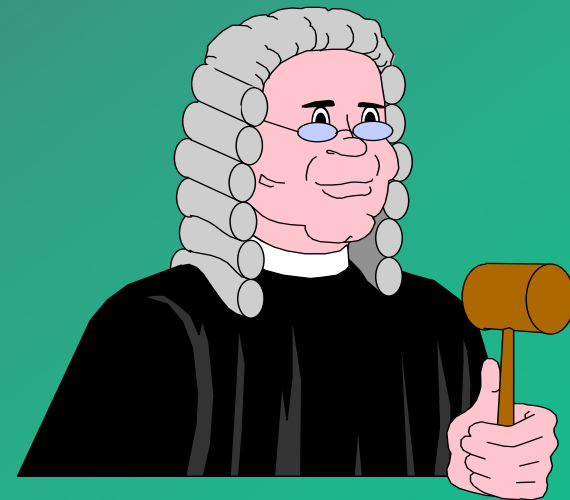
INTEGRATION

It is difficult to improve
anything that is not
already standardized

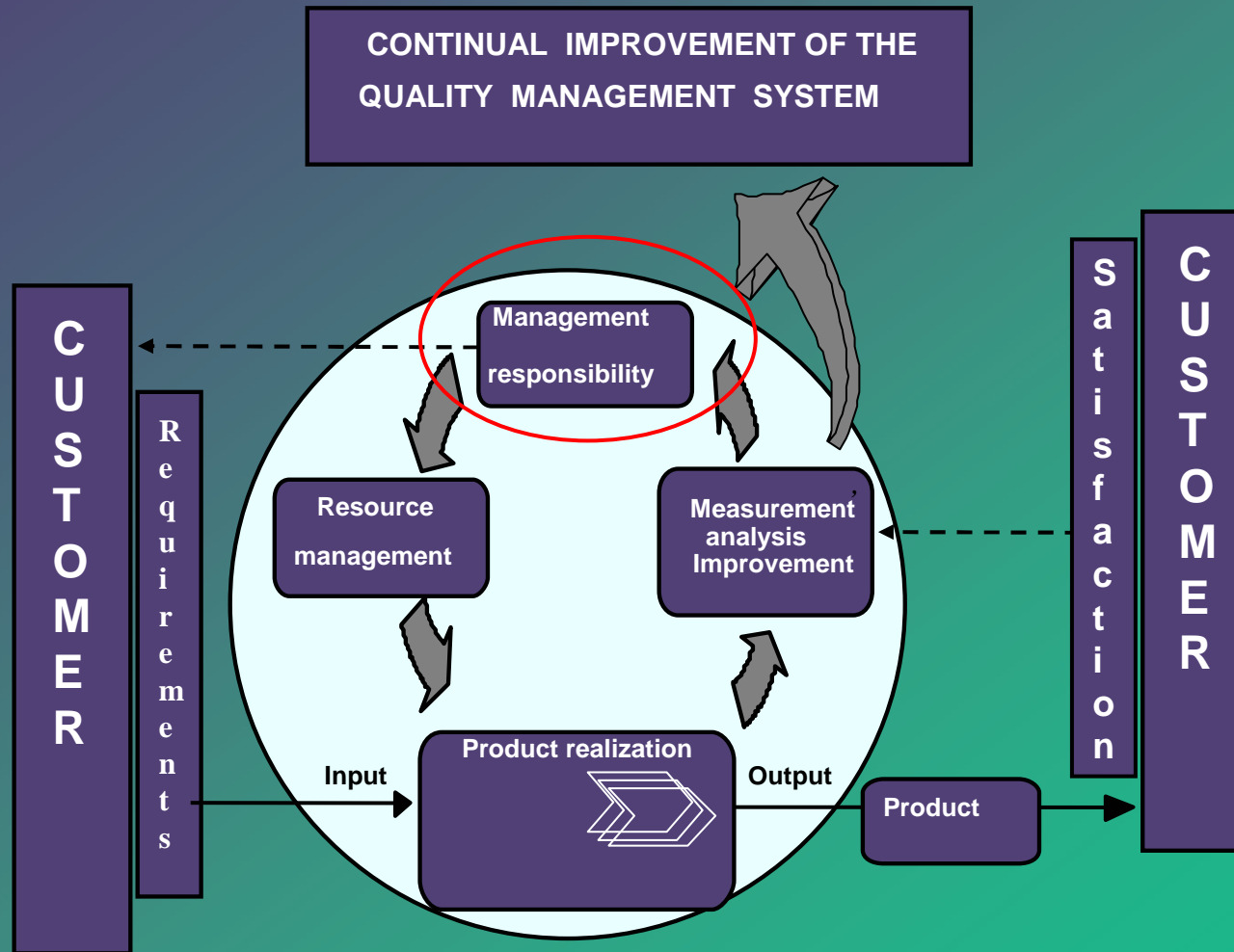
- Ensure that tasks are carried out in a consistent way
Once this has been achieved then new methods can
be integrated into the existing system
- Ensure that sufficient training is then carried out in
order for the new method to become effective

You can use ISO 9001

- We know ISO 9001 is a Standard against which a quality management system is measured
- It is also a measurement of Daily Management control (Nichijo Kanri)
- It is intended to allow for flexibility on how your system is developed and improved



The ISO 9001 QUALITY Management Model



Who is driving the boat?



Who is the pilot and
who is onboard with
you?

Who is the pilot?

- Most organizations appoint a Champion to promote and maintain Quality (Management Representative)



- But the Management Rep needs support from executive management

Management must integrate Quality into their overall strategy

- They must be lead the quality drive of the organization
- They should not separate quality goals from their business focus
- They should become part of the auditing program and not abdicate responsibility to the audit department
- They should follow up on and give support to necessary improvement actions



Strategy, Daily Management and Hoshin Kanri

**DAILY
MANAGEMENT**

**Same
Activity**

+

**Same
Method**

=

**Same
Result**

Quality Assurance

HOSHIN KANRI

**Same
Activity**

+

**Different
Method**

=

**Different
Result**

Sustainable development

JAPAN LED THE ECONOMIC REVOLUTION AFTER THE SECOND WORLD WAR

- They focused on quality improvement led by the ideas of American W Edwards Deming
- The workforce was harnessed to create a winning nation using the Japanese philosophy of “wa” meaning HARMONY
- They realized that executives had to become auditors of the whole operation including grass roots activities

The new Strategist

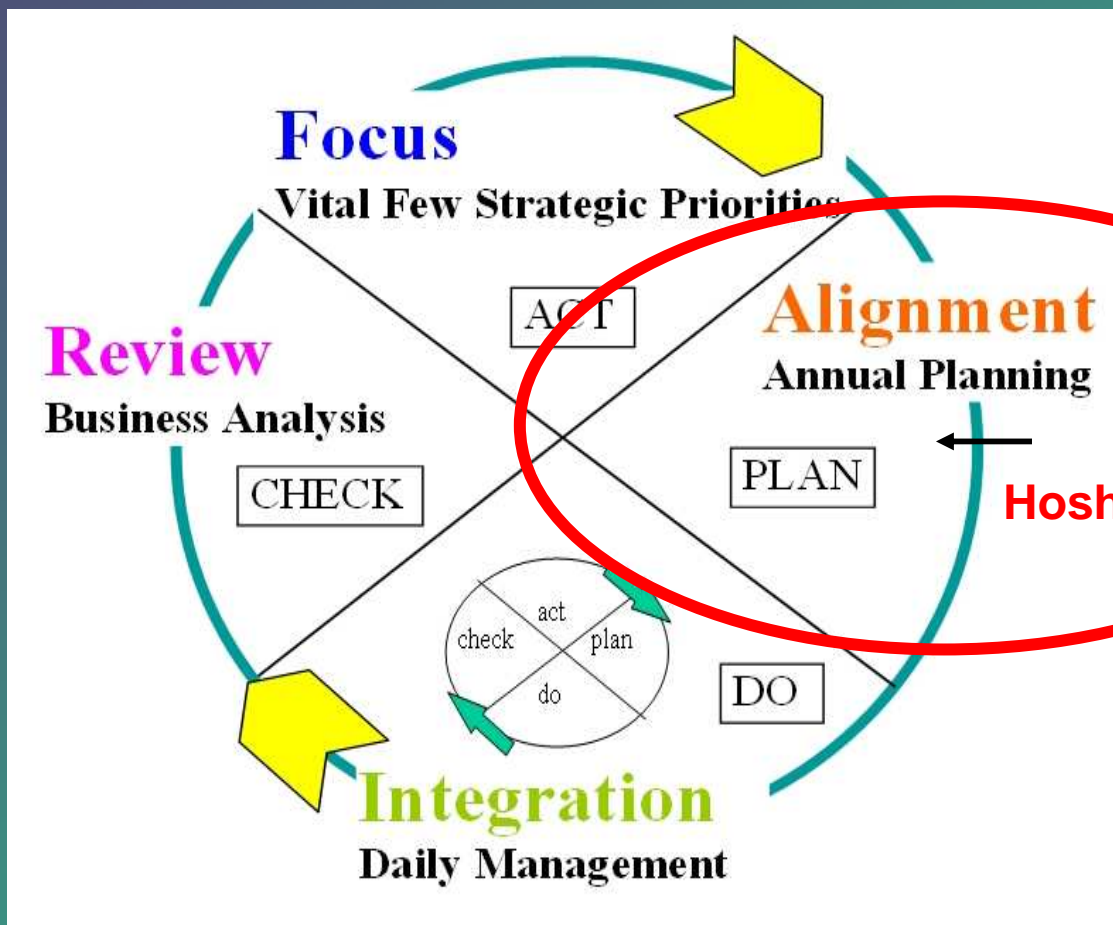


Carlos Ghosn CEO of Nissan
Japan and Renault France

How can Executive Management achieve quality?

- They must first **plan** for quality by developing a structure that is consistent to produce the required product or service that their customers are satisfied with.
- The plan must then be rolled out into a series of activities that focus on what they must **do** to achieve all the objectives and targets set out in the strategic plan with a focus on cross functional teams.
- The results must then be **checked** by the executive team to ensure that the plan was viable. The checking can be self motivated or a first, second or third party audit can be arranged to verify performance. **Executives can be auditors.**
- After analysis of the performance, corrective and preventive actions can be planned and **acted** upon to ensure continual improvement and obtain full customer satisfaction.

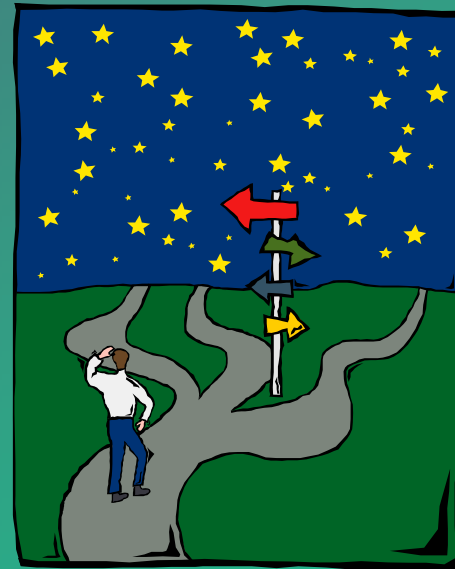
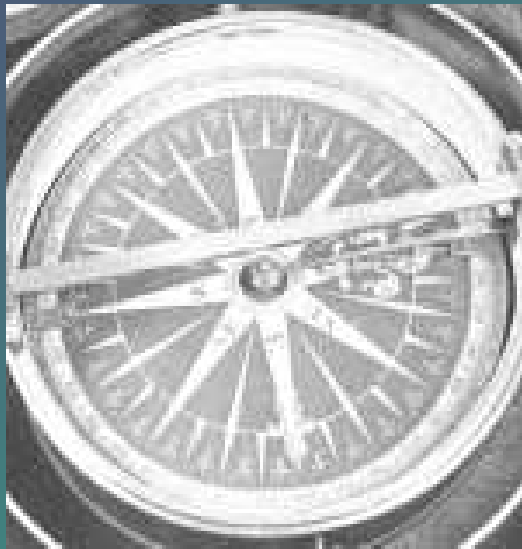
The Alignment phase



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What is Hoshin?

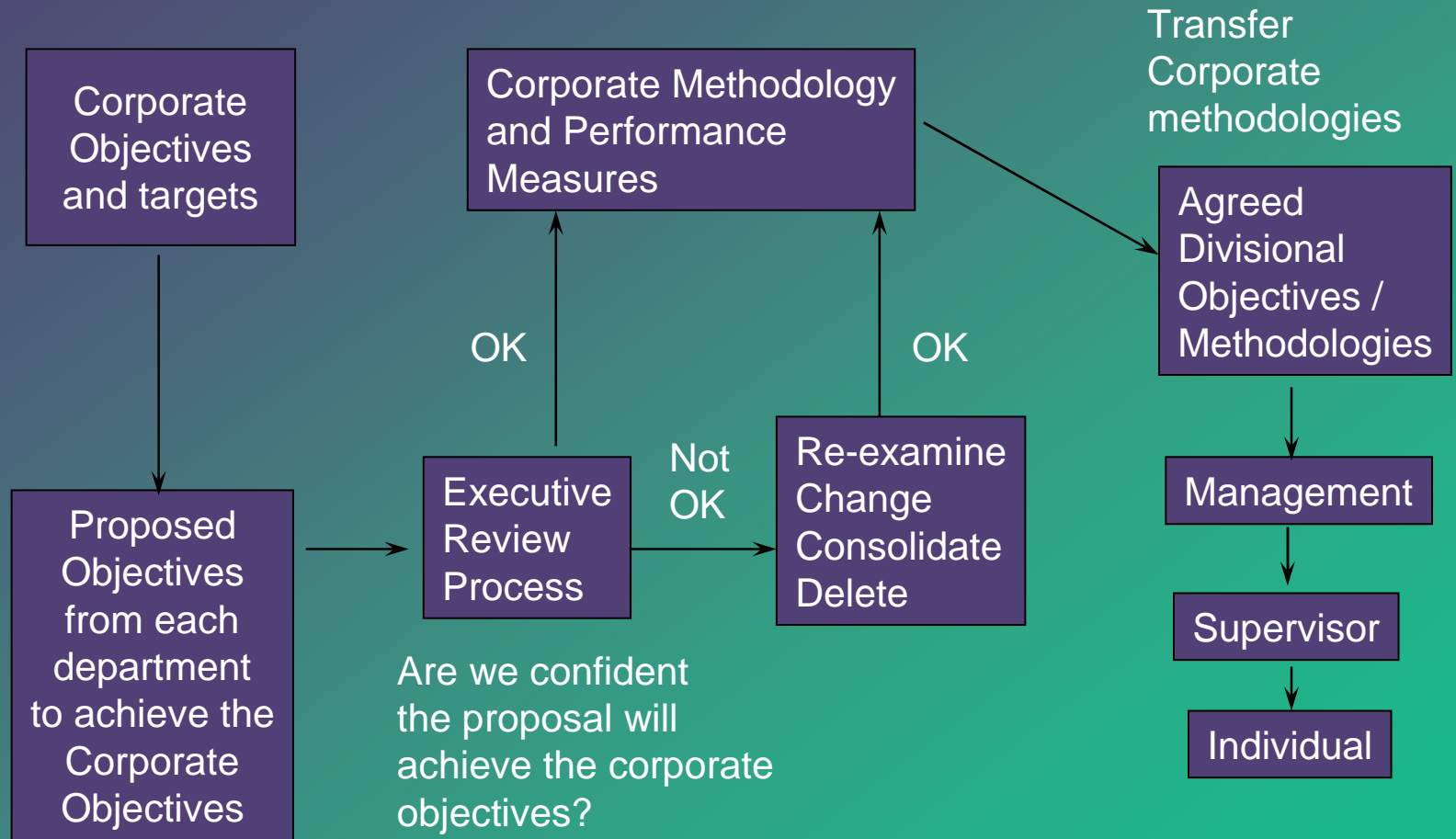
- Ho means needle. Shin means direction. Literal translation is “Compass Giving Direction”



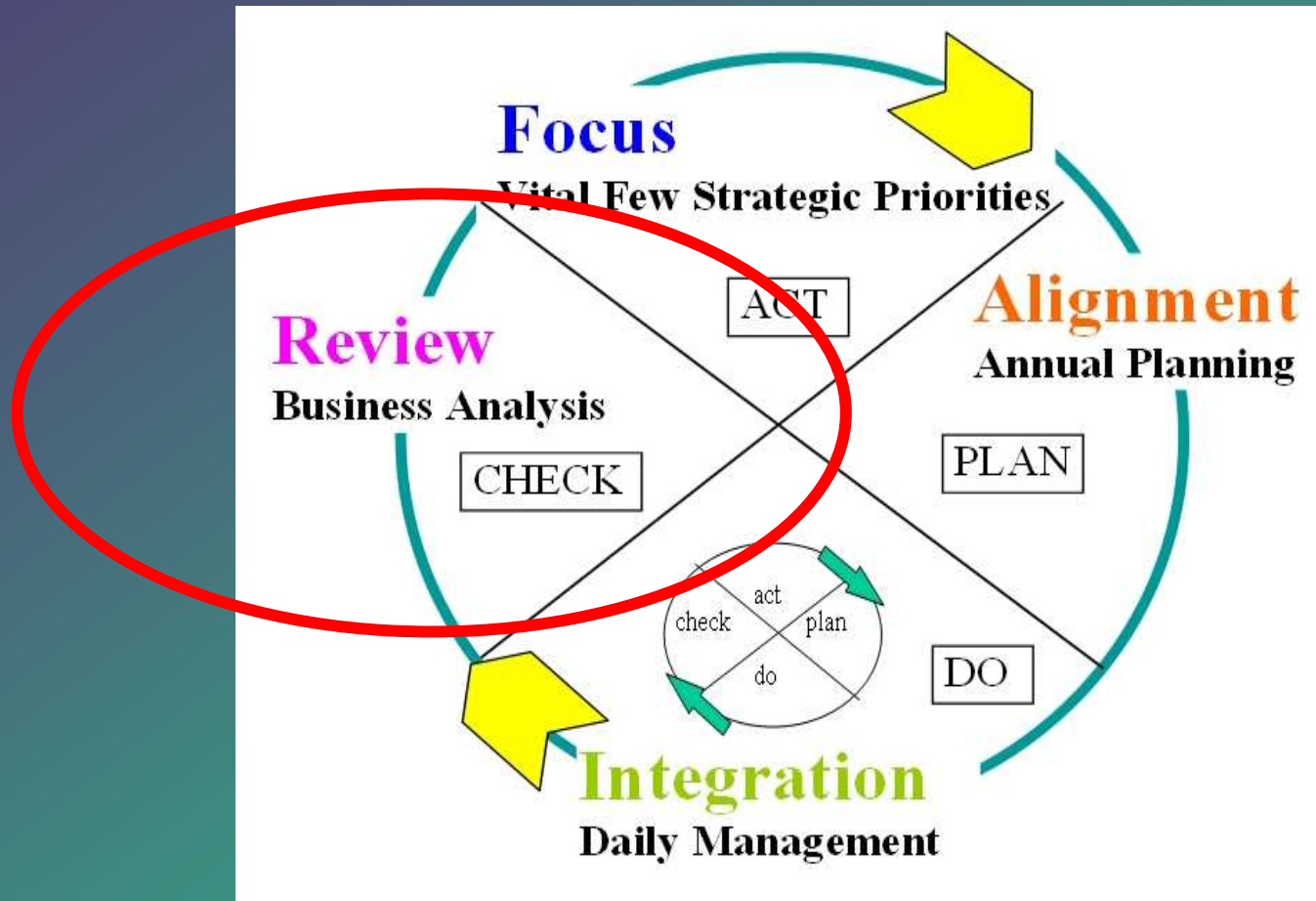
More about hoshin kanri

- HK is being used as a managerial term to describe a company wide management process for establishing corporate goals and methodologies and then breaking them down into divisional, departmental, sectional and individual objectives / methodologies.
- Objectives CAN ONLY be achieved by improvement of the systems and processes through which the work is conducted.
- The PDCA or (CAP Do) cycles are fundamental to the improvement of the process.
- HK is not MBO and the main difference is that HK focuses on the methodology of the process systemically, whilst MBO is purely focused on the result achieved.

ESTABLISHING THE CORPORATE OBJECTIVES

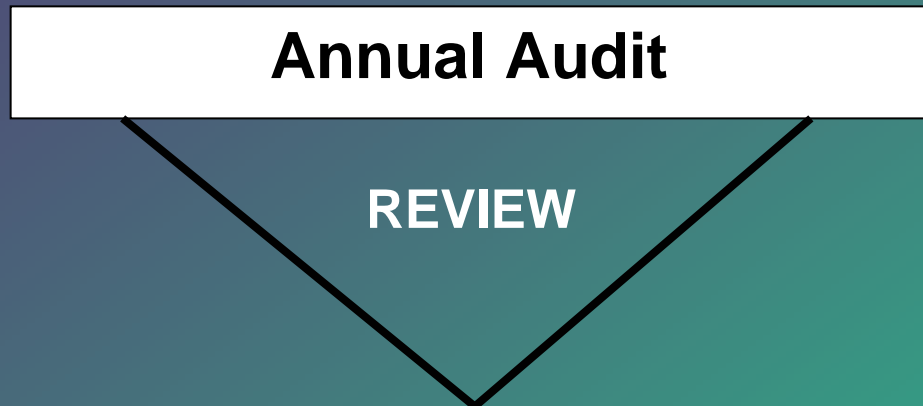


The Audit and Review stage



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Regular executive audits and reviews are necessary



Executive audits should be ongoing at least once a month. Meetings should be held at department level to discuss performance achievement to target.

3 monthly or 6 monthly executive reviews are recommended to carry out a complete analysis and ask, “Are the strategic focus items the correct ones and how well have we performed?”

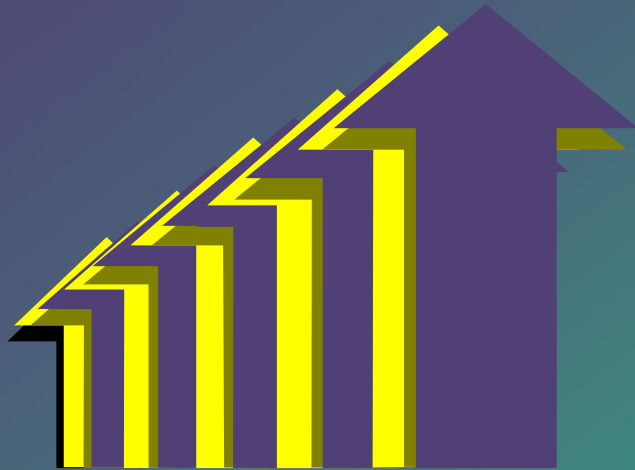
Executive Review process requirements

- Specific managerial skills such as active listening, questioning, probing and coaching skills are crucial.



- The Executive Review meeting should be constructive and should lead to implementation of strategies

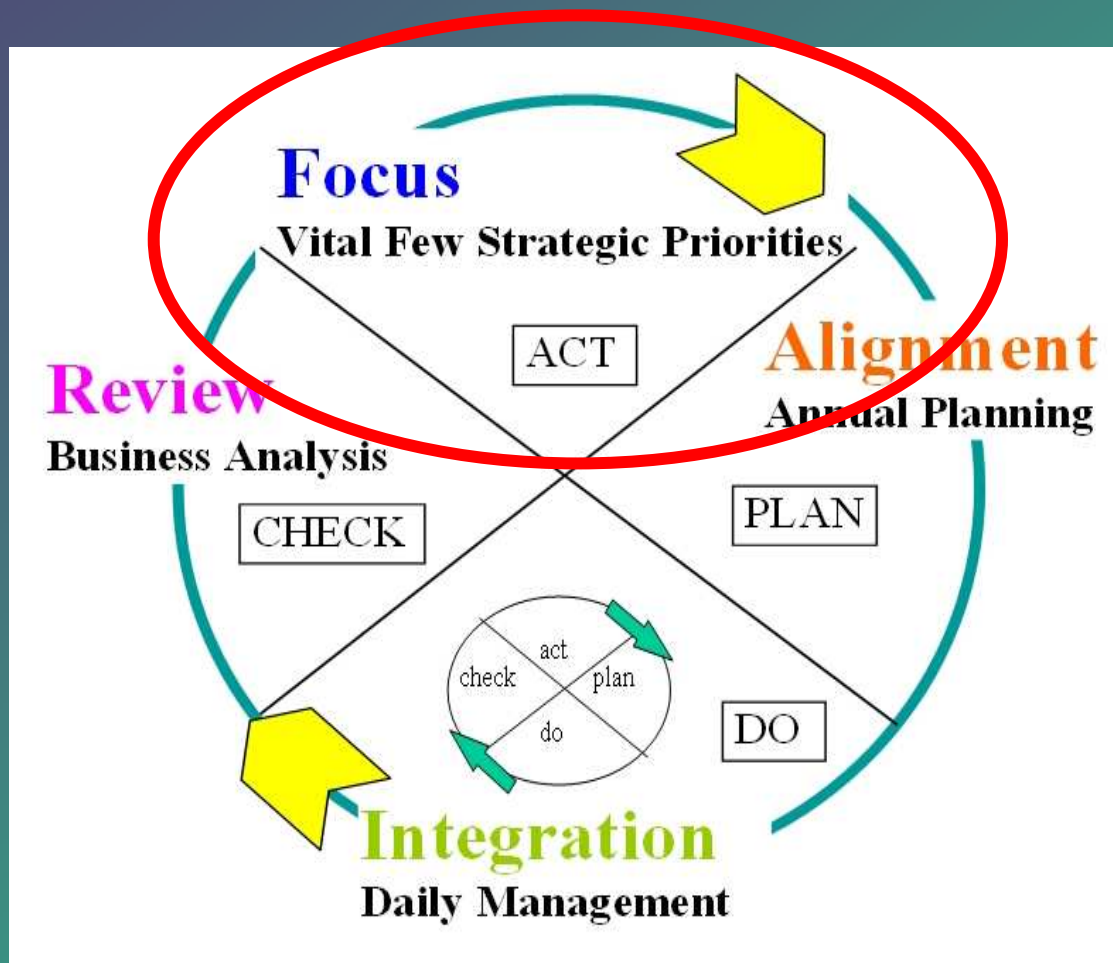
The Audit Improvement Plan



- **First** audit “fresh air” (1st party)
- **Second** audit “first edition” (2nd party)
- **Third** audit “conformance” (3rd party)
- **Fourth** audit “relevance” (Management)
- **Fifth** audit “achievement” (Management)
- **nth** audit “ascendancy” (Executive)

Have we reached the top of the mountain?

The Focus stage



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Select the Vital few to give maximum return

Vital Few Strategic Priorities

FOCUS

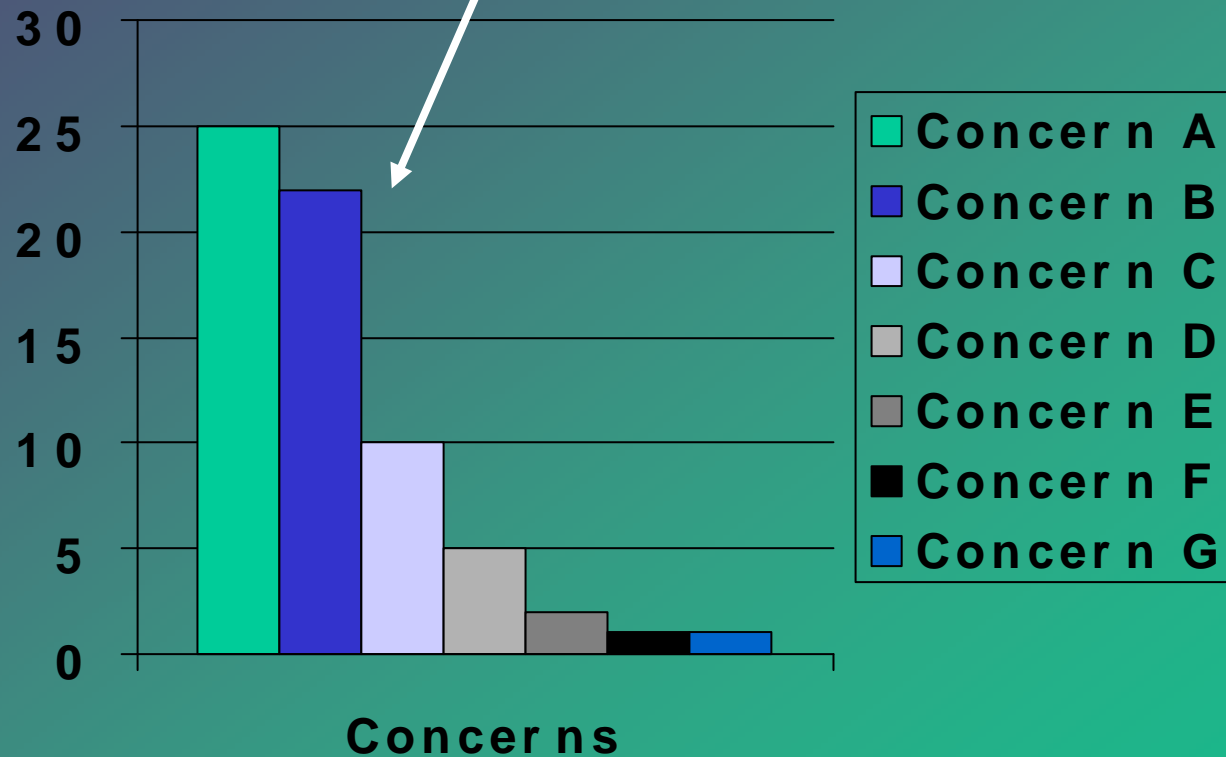
Most companies starting Hoshin Kanri make the mistake of trying to monitor and improve all their daily work activities.

Executives focus only on the VITAL few.

4 or 5 activities are usually enough

Audit the Vital Few Strategic Priorities Executives must decide on audit plan

Focus only on top concerns



HOW TO ACHIEVE WORLD CLASS QUALITY

WORLD CLASS



HOW TO ACHIEVE WORLD CLASS QUALITY

WORLD CLASS

Hard work and
enthusiasm



Your
Organization

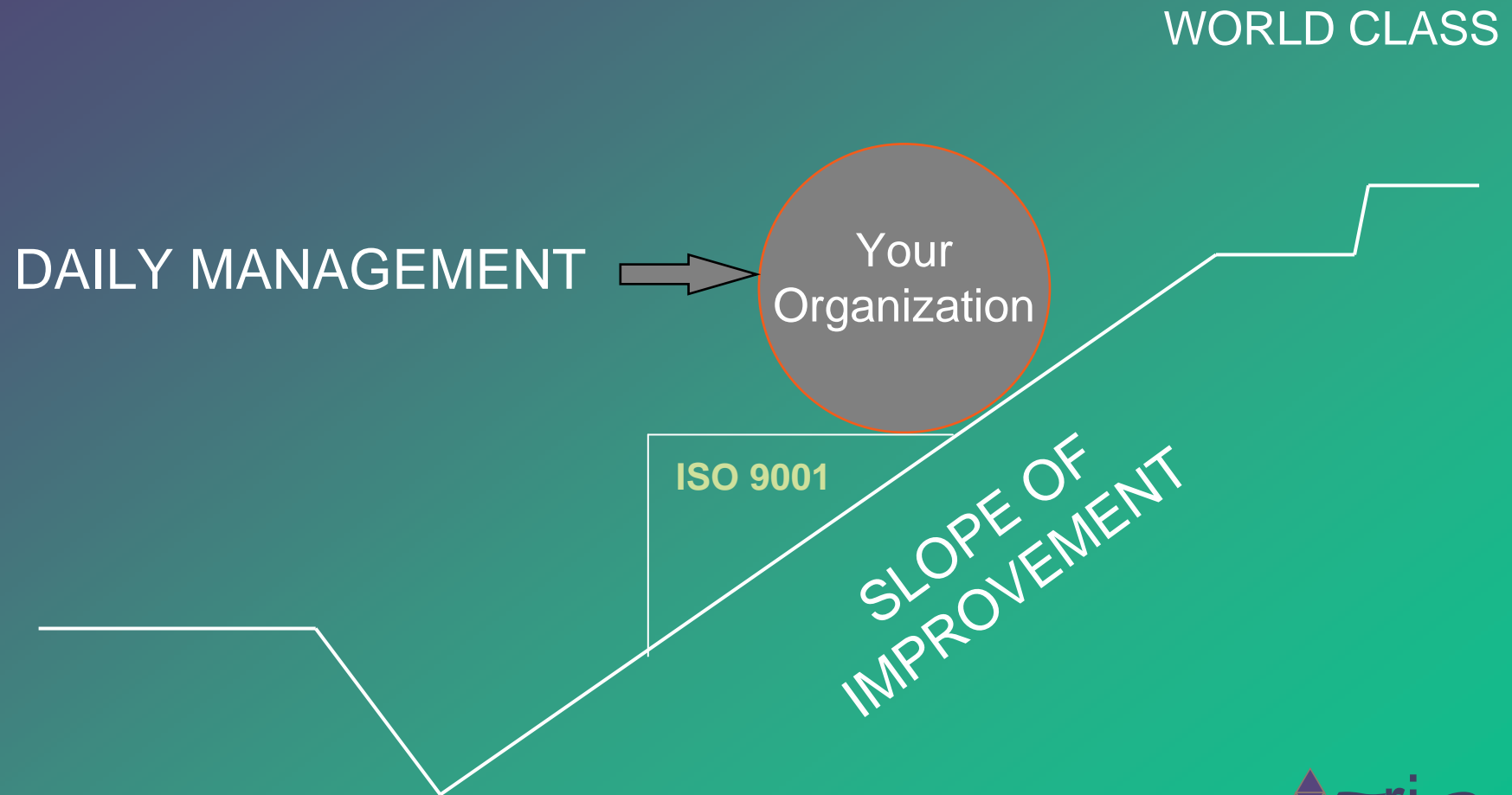
SLOPE OF
IMPROVEMENT

HOW TO ACHIEVE WORLD CLASS QUALITY

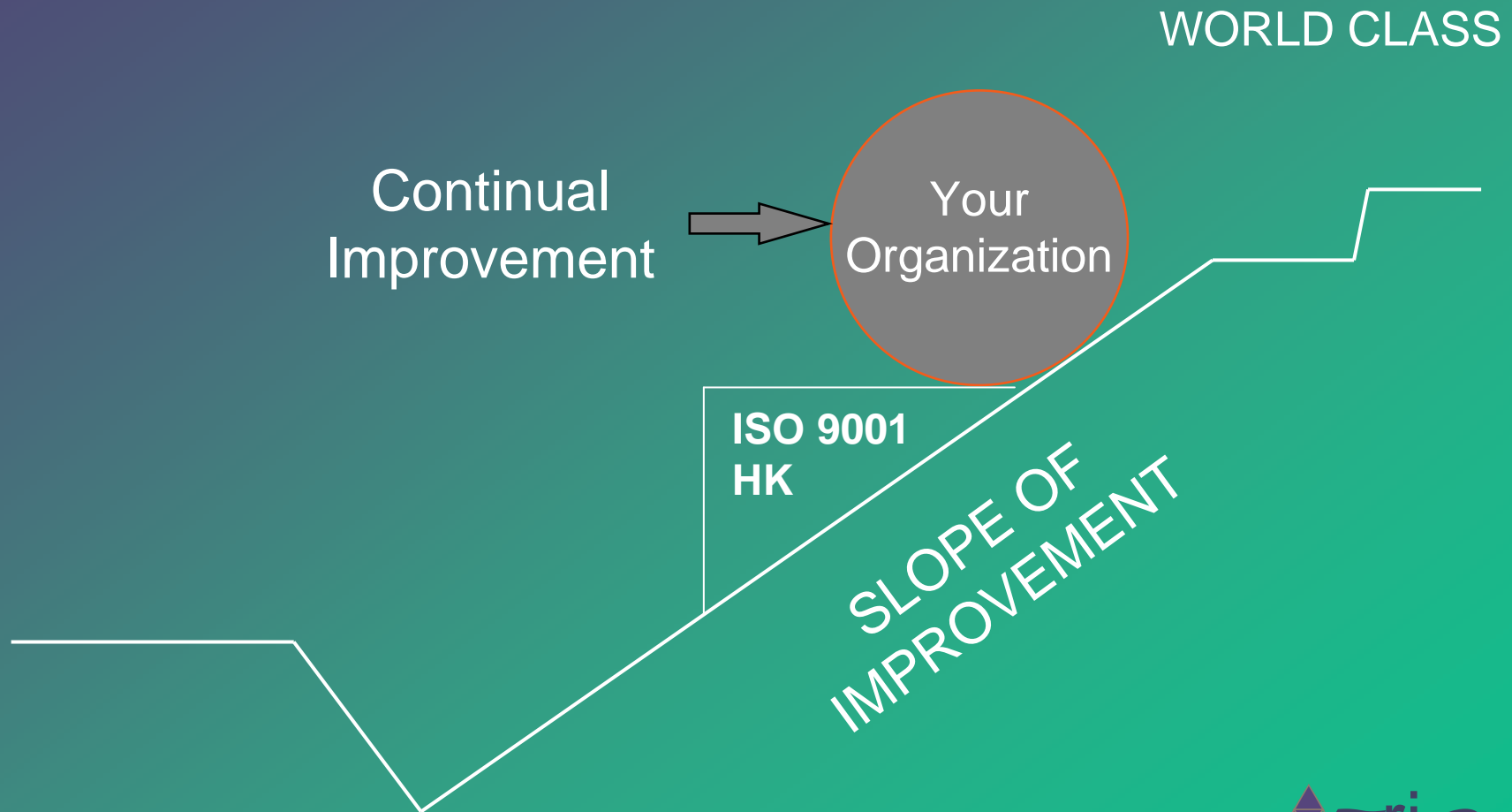
WORLD CLASS



HOW TO ACHIEVE WORLD CLASS QUALITY



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