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NEW ZEALAND ORGANISATION FOR QUALITY

Internal audit: Part one—origins

I have just completed an internal audit, writes QNewZ columnist, Ian Hendra. Now you might think that's nothing special for a 'pommie' QA guy who got into the business through the external audit route and who's been plying the trade for years. Right now, though, I'm at the dessert end of my career and I'm looking back at the pre-dinner drinks and the starter.

Gourmet, healthy or junk?

Following on from my previous column (QNewZ May) I am questioning the point of internal auditing of management systems, particularly in the form that we know and practice these days. What value does it add? What problem does it solve? Did the person who commissioned the audit I have just undertaken have anything in mind other than being able to say to the certification auditor, "ISO 9001 clause 8.2.2, done!"? And finally, is internal audit a gourmet delight, the healthy option or is it junk food? So let's start with a story.

Three menus

I know I am risking accusations of gross over-simplification, but since the end of WW2 (1945) professional quality assurance has developed into a food court with three outlets. In chronological order these are:

1950s: Statistical Process Control (SPC) emerging from the rejuvenation of Japanese manufacturing.

1970s: The development of a set of criteria and an assessment programme to facilitate selection of demonstrably competent contractors in the Defence sector.

1980s: The establishment by the US government in 1987 of the Malcolm Baldrige Criteria for Business Excellence.

Different chefs

These three outlets have different chefs serving different clienteles; there is little evidence of any logical progression.

1. Dr W Edwards Deming, Dr Joseph Juran and their counterparts were the main influencers in Japan. They were addressing the need to build an economy to feed a nation without natural resources and denied the opportunity to develop military capability. Applying statistical methods and tools to the control of variation in production processes was the immense contribution of these 'gurus' who became famous in the West only in the mid-1980s.
2. Developed over the previous 15 years and promulgated in 1968 by NATO Committee AC-250, the Allied Quality Assurance Procedures (AQAPs) became the criteria by which defence contractors were selected. Found to be inherently beneficial in enhancing business performance, the AQAPs became BS5750 in the UK in 1979. Aimed directly at improving the quality of British exports, the UK National Quality Campaign hit the streets in 1983. It cooked up external accredited certification to BS 5750 as the trigger for British owned companies with fewer than 600 staff being awarded a generous Government grant to reimburse the consultancy costs. Tens of thousands of UK companies fed off the campaign until it ended in 1989. A side effect was that it also spawned a whole industry related to management systems consulting and auditing. BS5750 became the ISO 9000 series in 1987

under the guidance of ISO Technical Committee 176 with the British Standards Institution supplying the secretariat.

3. The Malcolm Baldrige National Quality Improvement Act of 1987, signed into US law on August 20, 1987 established a set of business excellence criteria aimed at improving the quality of American products and services. The Baldrige criteria have become the model for business benchmarking used in many countries by Business Excellence Foundations: NZBEF (New Zealand), ABEF (Australia) and EFQM (European Foundation for Quality Management). The tangible outputs are high profile National Quality Awards.

Where does internal audit fit?

This is where the whole internal audit 'thing' starts to get a bit vague; where are the precedents? Let's have a look around our Food Court:

Café guru

Let's start with the SPC specials on the menu at Café Guru. There is nothing about internal audit in Dr Deming's seminal book, *Out of the crisis*, nor in *Four Days with Dr Deming* by Latzko and Saunders. There's nothing either in Mary Walton's *The Deming Management Method*, but Raphael Aquayo's excellent book, *Dr Deming the man who taught the Japanese about quality* has three index references for 'Audits, quality'. Unfortunately, none of these references would make you reach for your clip board.

Dr Joseph Juran's 1000 plus page tome, *Quality Control Handbook* has a few pages on quality auditing. Whilst they are specific and appear to offer common sense guidance, they don't come across as earth shattering in their significance compared with the volumes other data, information, tools and methodologies in the text book that more or less defines our profession. Dr Juran seems to take internal audit as *fait accompli*.

ISO's diner

What about the contractor assessment outlet, what do we find on the menu in 'ISO's Diner'? Aha, there it is; clauses 8.2.2 in ISO 9001 (quality), 4.5.5 in ISO 14001 (environmental), 4.4.4 in ISO 4801 (OHS), 8.4.1 in ISO 22000 (food). But to within the width of a shard of choux pastry they are all the same; a classic 'cut and paste' job. That is not a surprise because the others are known as ISO 9000 'derivatives'.

However, going back to AQAP-1 in 1968 and prior to that time, the American Mil-Q-9858A (1963) was the contract quality specification used by the US Department of Defense, but there was no requirement for internal audit here. And so far as I recall, Internal Audit newly appeared in the first issue of ISO 9001 (et al) in 1987 as clause 4.17.

In the UK ISO 9001 had been preceded by BS 5750:1979, itself a 'cut and paste' of the original 1968 AQAP. Certainly, when I did my Lead Assessor course in 1984, internal audit was not a feature because it was strenuously emphasised that the focus on keeping the system 'ready-to-eat' was the manager's responsibility. When I joined the certification industry in 1988 an early task was to cover-off "this new internal

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the silos that often exist in organisations, and improve communication and collaboration in order to provide better products and services.

At the strategic level, Lean leaders must constantly review how the work in their area aligns with that in other areas, and with the organisation's overall objectives and values. This leads to improvement opportunities with and between the various parts of an organisation.

At the tactical level, this interaction occurs when the Lean leader ensures hand-offs are smooth between one step in a process and the next.

For example, interaction occurs when designers and developers meet with sales and marketing to discuss the customer's desirability for a product or service. There are meetings with those who make the product or deliver the service to see if it is feasible, and meetings between all parties to see if it is viable. This results in true interaction and good Lean leadership.

6. Constant review

Many leaders fail by becoming complacent about their performance. Good Lean leaders avoid this trap by constantly reviewing their performance and seeking constructive feedback from their team and their fellow Lean leaders.

The whole of the leadership team can also gain from conducting similar reviews on their overall performance. However, corrective action must be taken otherwise these reviews are pointless. The reviews are the foundation of a development programme for the whole of the leadership team as well as the individual Lean leader. This in itself provides another opportunity to demonstrate that the leaders are seeking continuous improvement in their own performance.

If a particular leader is having trouble in a certain area of performance another leader, skilled in that area, could coach them. For example, a leader having difficulty giving feedback could observe another leader giving feedback and afterwards discuss the techniques used. If the problem lies with the performance of the whole leadership team then external guidance should be sought.

7. Enthusiasm of leaders

We have reached the final, and perhaps the most obvious, component of good Lean leadership – enthusiasm.

It is easy for any leader to follow a prescribed leadership methodology; to tick all the boxes. The distinction between a good Lean leader and one who merely ticks the boxes is the enthusiasm that they display for Lean. Genuine enthusiasm for Lean must come from the leader, but if it is merely an act then it will be obvious and will do nothing to sustain Lean.

Genuine enthusiasm for Lean, demonstrated by the leader in every aspect of their work, will become a contagious motivating force that will lift the positivity in the team and all with whom the leader has contact. That enthusiastic force will make the difference between a failed and a truly successful implementation and sustained Lean initiative.

Conclusion

In the introduction I posed two questions: what is Lean leadership; and what makes a good Lean leader?

The components of Lean leadership are: practising what you preach; rationale explained; analytical thinking; call to action; team performance; interaction across areas; constant review; and enthusiasm of leaders.

If there is a difference between the way you currently lead and good Lean leadership then you may want to make changes to your leadership style. In making any change though, it will take time, effort, and practice.

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ASQ's mission is "to increase the use and impact of quality in response to the diverse needs of the world". Increasingly, accountability and social responsibility are the expectation of consumers around the globe. ASQ, as part of one of its ongoing organisational initiatives, promotes the use of quality tools to facilitate the accomplishment of social responsibility objectives.

The measure of success is not whether you have a tough problem to deal with, but whether it is the same problem you had last year – John Foster Dulles, Former United States Secretary of State.

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audit thing, whatever that means!" Hence, internal audit must have been something the early membership of TC-176 came up with that seemed like a good idea at the time.

Criteria pizzas

Finally, what about the Baldrige boys at Business Excellence? What's on the 'criteria pizzas' menu? The commentaries in the Criteria for Performance Excellence raise internal and external audit in relation to financial management and ethical considerations and as "appropriate measures of operational process effectiveness" to include a cross reference to ISO 9001 audits.

The focus for auditing seems to be much more about

governance than management, and once again there doesn't appear to be anything mandatory. Looks like another "*fait accompli* - always done it like that" kind of approach.

Next time...

So it looks like it's ISO's turn that lumbered us with internal audit as we know it. The question remains though, does ISO's turn serve up gourmet delights, the healthy option or junk food? Next time we'll have a look at our outlets' clientele and try to get more of a handle on the contribution made by internal audit, after all, the proof is in the pudding.

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