INTERNATIONAL REGISTER OF CERTIFICATED AUDITORS
CQI The Chartered Quality Institute

www.irca.org

The Auditor

An unexpected agent for behavioural change

Audits can do more than measure compliance to standards.

A company's culture includes the beliefs and practices used to get work done within the organization. Although a culture can be defined by words, such as a vision statement or code of conduct, words alone are inadequate when evaluating a culture. You can walk into many organizations and see signs announcing, "Safety is job one," or "We believe in safety." Then you watch people ignoring an oil spill or working with machinery that's missing a guard. In most cases, an organization's vision statement doesn't match the actual activities performed on the shop floor. In practice, corporate culture is really expressed by the behavior and habits of those who do the work.

Simply rewording an organization's code of conduct won't change its culture. It's necessary to define a new set of behaviors and then measure how well these are being used throughout the organization. Auditing is a powerful tool for communicating the expected new behaviors and measuring progress in their acceptance.

This article takes a look at the basic theory of corporate culture, outlines the steps necessary for building a behavior-based audit, and notes the factors most likely to bring about a successful audit of corporate change. The figures and accompanying discussion provide a model of how one organization successfully used auditing to change its culture.

A basic model of corporate culture

The model of corporate culture used here has been adapted from Willie Pieterson's *Reinventing Strategy* (Wiley, 2002). Visually, the model looks like a target with three circles. In the innermost circle are the underlying assumptions held by an organization or person. These are deep-seated and often can't even be articulated but are nonetheless the driving force behind the actions of both organizations and people. Employees who hold underlying assumptions that differ widely from the organization's will be uncomfortable and usually will leave the company after a time.

The next circle holds the values that are driven by the underlying assumptions. Values are principles or standards by which members of a group judge their actions and others'. Notions of right and wrong, success and failure, good and bad are examples of value judgments driven by the underlying assumptions.

The outer circle contains behaviors exhibited by an organization's employees. Behaviors are the only visible evidence of a corporate culture. When a company's cultured is evaluated, its values and underlying assumptions can be inferred from widespread behaviors within the organization.

the AUDITOR

This article originally appeared in *The Auditor*, a bimonthly newsletter created to provide full-time or part-time auditors with information required to conduct effective audits.

You can subscribe to the magazine by visiting the following web address: www.theauditoronline.com.

Paton PROFESSIONAL

Planning a corporate culture audit is an inside-out process (i.e., underlying assumptions are defined first). Next, the values necessary to implement the assumption are defined. Finally, specific behaviors expected of employees are determined based on the values; these behaviors become the audit items.

The actual audits are conducted outside in. The audit items define the expected behaviors, and each employee is judged based on his or her exhibited behaviors. Auditors look for hard evidence to prove that the required behaviors are occurring.

Some people would argue that you must change people's belief systems before you can change a company's culture. Others would say it's impossible to know someone's belief system, and therefore it can't be changed by an outside intervention. The auditing process described here is a practical solution to the latter assumption. Because we can't know what people's belief systems are, it's therefore necessary to focus on the one thing we can see, which is their behavior. The audit is structured so that auditors can focus on behavioral changes.

Developing audit items using the culture model

A working definition of an audit is determining conformance to a standard. In most cases, such as an audit for ISO 9001:2000 compliance, the standard is a given, and the challenge for the auditor is to determine the level of conformance. Behavior-based auditing, however, presents a dual challenge: The first is to develop the standard, and the second is to determine conformance to it. We'll start by developing the standard, which are the questions for the behavior-based audit.

Below are two examples of how audit questions are developed. These examples are taken from an actual audit.

- Example 1: The underlying assumption is "employees are a valuable asset." The value is "employees must be trained to reach their full potential." The audit item (i.e., expected behavior) is "each team should receive at least 150 hours of training annually." More than one value can be associated with each underlying assumption, and more than one audit item can be associated with each value. However, from a practical standpoint, it's easier and clearer if each audit item is associated with only one value and one underlying assumption.
- Example 2: The same underlying assumption is used: "Employees are a valuable asset." The value for this item is "both the heads and hands of employees must be used." The audit item is "information is available for teams and support personnel so they are able to make business decisions in their areas of responsibility."

Don't spend a lot of time trying to develop underlying assumptions and values. This often results in long philosophical discussions similar to arguing over how many angels can dance on the head of a pin. You may even want to set a time limit on how long you discuss underlying assumptions and values for each audit item. The main objective is to be

the AUDITOR

This article originally appeared in *The Auditor*, a bimonthly newsletter created to provide full-time or part-time auditors with information required to conduct effective audits.
You can subscribe to the magazine by visiting the following web address: www.theauditoronline.com.

Paton PROFESSIONAL

clear about them. It's difficult to convince people they must adopt a new behavior if they're given no reason why it will benefit the organization. The underlying assumption and value provide the motivation for change.

There are three keys to developing a successful culture-change audit:

- The audits must be developed by top management. A quick road to failure is to have a staff group develop the audit and then expect the organization to accept it. The audit will have no credibility or support.
- Every member of top management must believe, support, and model every item in the audit. For example, if the audit asks middle managers to delegate decision making to their subordinates, then top managers must be willing to do that as well.
- Auditing items must be backed by the reason for the question and the evidence required. Without these, auditees won't understand the importance of the behavior and won't be able to effectively prepare for the audit.

Audit structure and process

Audits can be structured in a variety of ways to fit the organization's needs and development level. The model discussed here consists of 10 sections that together cover both managerial and technical areas. The sections are:

- Plant management
- Training
- Maintenance technician interviews
- Team leadership and support
- Team project demonstration
- Operator interviews
- Key output variable (KOV) review
- Key input variable review
- KOV performance (e.g., Cp, Cpk, and standard deviation)
- Plant performance (e.g., scrap, downtime, weight gap, and customer complaints)

Using a point system, the audit's focus can be fine-tuned by emphasizing individual items, audit sections, and section groupings (see figure 3). For example, if training employees in specific skills is an issue, the points for those particular audit items can be increased to give them more weight. If the goal is to increase training activity as a whole, the point value for the entire section would be increased: Each item would be increased proportionally to the overall increase in section value. If the objective is to increase activity in an audit category such as team development, then the weighting given that grouping could be increased.

The audit should start by reinforcing behavior changes. Only later, if ever, should the results section be weighted as a high-point area. One of the underlying assumptions in developing this audit is that if correct behaviors are used, the desired results will follow.

the AUDITOR

This article originally appeared in *The Auditor*, a bimonthly newsletter created to provide full-time or part-time auditors with information required to conduct effective audits.
You can subscribe to the magazine by visiting the following web address: www.theauditoronline.com.

Paton PROFESSIONAL

Another important aspect of the audit process is selecting the auditors. Top managers must be involved in the process from the start. The simplified organizational structure in the model starts with the general manager and vice president, proceeds to the vice president of operations, the director of operations, and the plant manager. These are also the key auditors.

The plant manager, with the assistance of the plant quality systems manager, is the lead auditor. This person leads the questioning during all sections of the audit except plant management, when the plant manager and quality systems manager are being audited on their performance. The other audit team members "advise and consent" to the scoring of the lead auditors. This stops score creep and ensures consistency across all facilities.

The main reason for having the top managers involved in all audits is to emphasize the importance of changing the corporate culture, which in turn will support the organization's strategy. Just having top managers visit the facility several times per year shows everyone how critical changing behaviors is to the success, or even survival, of the organization. It also gives top managers time to coach employees on the new behavioral expectations at all levels.

The number of audits performed each year depends on where the organization is in the change process. At first there's a great deal of inertia to overcome, so more frequent audits are required. In the model presented here, audits were performed every quarter for the first two years. As momentum builds and people gain a better understanding of expectations, the number of audits can be reduced. For example, the model now has two audits yearly, and management is discussing the possibility of reducing these to one by 2007 or 2008.

Audit duration depends on the size of the facility and the audit's complexity. In this model, each audit lasts two or three days that normally are 12 to 18 hours long.

The bottom line

Although measuring results is a small part of the auditing process at each facility, it's important to the success of the organization. The audit is used to change behaviors, which are necessary to implement the corporate strategy. The organization must measure indicators to ensure that the strategy is being implemented effectively.

Increasing audit scores indicate that behaviors are being changed. However, that in and of itself doesn't indicate success. If behaviors are truly changing, then there should be a positive financial effect. During the last four years, the following financial improvements have been realized for the model organization:

- Downtime reduced by more than 80 percent between 2002 to 2005
- Scrap reduced by more than 75 percent during the same time period

the AUDITOR

This article originally appeared in *The Auditor*, a bimonthly newsletter created to provide full-time or part-time auditors with information required to conduct effective audits.

You can subscribe to the magazine by visiting the following web address: www.theauditoronline.com.

Paton PROFESSIONAL

INTERNATIONAL
REGISTER OF
CERTIFICATED
AUDITORS

CQI The Chartered Quality Institute

www.irca.org

The Auditor

- Salaried head count reduced by 30 per cent
- Hourly head count reduced by 20 per cent
- Yearly continuous improvement savings of more than US$250,000
- Customer complaints:
    - 2003 - 41
    - 2006 - 4
- Safety: No lost-time injuries in more than 2.5 years (the previous record was less than one year).

Keys to success

The following keys are essential for using auditing to successfully change a corporate culture:

- Changing a culture is a long-term process; treat it as such.
- Culture change is a strategic activity driven by top managers.
- Develop the strategy first, then determine the cultural requirements to implement the strategy, and, finally, develop the auditing process and audit items.
- Be prepared for the time commitment (The model required about 23 days of audits and another five days of audit review per year).
- There must be "patient pressure" to change. Look first for movement toward the desired behaviors, and then concentrate on accelerating the change.
- About half of the audit time is used for measuring progress toward the required behavioral changes. The remaining time is spent coaching, teaching, and motivating employees to make the desired changes.
- Employees at all levels of the organization must receive significant rewards for implementing the desired culture.
- Employees not "buying in" to the new culture will usually leave on their own, but it might be necessary to reassign or remove people who aren't able to perform in the new environment.

Author bio - Alfred Grigg has had a varied career in manufacturing, including stints in quality, operations, human resources, maintenance, and consulting. He's certified as a quality, ISO, and HACCP auditor, and currently works helping his company through a culture change toward self-directed work teams.

APRIL 2007

This article originally appeared in *The Auditor*, a bimonthly newsletter created to provide full-time or part-time auditors with information required to conduct effective audits.

You can subscribe to the magazine by visiting the following web address: www.theauditoronline.com.