

THE ROLE OF CONSULTANTS IN THE AUDIT PROCESS

Outsourcing the Quality Functionis the way forward

Abstract	1
1 Background	1
2 Introduction.....	2
2.1 The Problem with..?.....	2
2.2 QMS or ERP?.....	2
2.3 Consultants Vs Auditors (Pigeon Holes)	3
2.3.1 Corporate consulting	3
2.3.2 Workflow Consulting.....	3
2.3.2.1 The role of consultants in audit process success	3
3 Understanding the Market trends	4
4 How should Quality Professionals react to Market trends?.....	5
5 Conclusions and Recommendations.....	6
6 References.....	6
7 Author.....	7

Abstract

Conventional wisdom has it that auditors and consultants are arch enemies. Each is picking holes in the work of the other. It always reminds me of the building trade where the carpenter is criticising the work of the renderer, the renderer criticising the work of the builder and so on. Instead of each playing their part to deliver the ultimate in good workmanship, the poor house owner is left footing the bill for the bad workmanship throughout the chain.

Consultants are by now comfortable with many of the labels they now have. New buzz words surface every few years keeping consultants marketable. The latest of which, are the six sigma “Judo belts” giving consultants a green field to practice their Judo onto their clients. Many are also not mindful of the agony faced by organisations when reengineering work done by consultants after they turned their back on these organisations, leaving others to feel the pain of the consequences of their work.

In the same manner, auditors are comfortable with their labels too. Auditors have moved a long way from the way auditing was conducted 25 years ago, when their main focus was issue control of documents and we used to spend hours arguing about whether a document should be version 2 or 2.1. Finger pointing at failures suffered by organisations as a result of poor consulting work does not help organisations. So, can auditors contribute to an organisation other than (X) Non conformances and (Y) observations?

The answer has to be a definite yes. Until and unless auditors change the deliverable from an organisation’s perspective, we will continue to see the mad rush by organisations in the run up to an audit to get everything filed and up to date. Very much like university days for many of us, where the last week before the exam, sees more work done than the rest of the year put together.

Many organisations wonder why they need a QMS in the presence of the ERP system they have. This is a good question, if these organisations have addressed their businesses end to end. But most don’t, and ERP only covers core processes on purchases and finance. So what is left for Auditors and consultants, except the crumbs? We are all stuck in this vicious circle and have been for many tens of years. Organisations are beginning to loose patience with this and looking for solutions.

Well, the answer lies with the auditors and consultants themselves embracing the future for Quality. This future lies in bringing Quality into the next century with automation and outsourcing. That way, the consultant and auditor roles are interchangeable, can be performed remotely, saving the client a lot of overheads, while at the same time adding the value the client desires. In this case, Even if the auditor acts as a consultant during an audit, it can be seen as more value adding to the client. If the auditor can’t be seen as a consultant, then why is the customer paying for them?

1 Background

It is a well known fact that the Quality function in organisations is a “Necessary Evil”. This is a term that used to be famous for describing Engineers, which has extended to Quality. A restrictive, Bureaucratic, paper intensive, and a Policing function that the average worker could do without. Complicated by lack of interest and support by

management, the Quality profession has also become a “Grave Yard” for people approaching retirement in the eyes of many. These are not my words, but the words of senior managers in the world’s largest IT companies who see all their Quality staff as holding bay for retirement.

The Quality function is the first to go when times get hard and the last to be introduced when customer pressure is applied or a disaster happens. It lost its appeal to much of the younger graduates unless they are dedicated to the cause like many of us here. So what can be done about this sad state that we find ourselves in?

I always go back to the Words of a gentleman by the name of Ken Brown who used to be the Managing Director of the largest Electronics companies in the UK in the early 80’s when the home computer market hit the western countries. His view was that “Managers, Consultants and Engineers are only needed to INNOVATE and LEAD”. If there is no innovation they are not needed. This holds true in the eyes of many top managers today too.

So, what innovation and leadership, do we believe these managers see from the Auditors and consultants of the Quality world?

To answer this question, it is worth spelling out the arguments for and against Auditors and consultants. We (including myself) do not like it, but it is what is out there. So how can we understand it and change it?

2 Introduction

Conventional wisdom has it that auditors and consultants are arch enemies. Each is picking holes in the work of the other. It always reminds me of the building trade where the carpenter is criticising the work of the renderer, the renderer criticising the work of the builder and so on. Instead of each playing their part to deliver the ultimate in good workmanship, the poor house owner is left footing the bill for the bad workmanship throughout the chain.

We are all stuck in this vicious circle and have been for many tens of years. Organisations are beginning to loose patience with this and looking for solutions. But to understand the solutions, any Quality professional will tell you to understand the problem first. So what is the problem?

2.1 The Problem with..?

To untangle the barbed wire and without teaching grandmothers to suck eggs, it is worth agreeing a common denominator for what is on offer from this community that organisations can expect.

With offerings ranging from a Quality manual as the complete QMS for an organisation all the way to Total Quality Management, Six Sigma, Service Excellence etc, no wonder the poor manager doesn’t know what he or she can expect. Buzz words are plentiful. Consultants are more plentiful and each with their own flavour of Quality ranging from academic style and approach to those who have implemented hundreds and collected a wardrobe of T-shirts.

There is clear evidence that there is a problem in that we rarely try to understand the client’s needs and expectations and deliver them. There is also evidence that some are happy to sell six-sigma to an organisation and spend a lot of time working on it, while no basic processes or measures in place.

As a fundamental basis for this conference paper, the assumption is that we are delivering a “value-adding” Quality Management System for an organisation that generates tangible Quality Improvement on their product or service. We will touch upon the role of consultants and auditors on such a system from its conception to its maturity.

2.2 QMS or ERP?

Many organisations are wondering these days why they need a QMS in the presence of deployed ERP system. This is a good question, but you would expect that organisations would have understood the answer by themselves. The fact that they still question it, shows some of the weaknesses in the way consulting works and Quality is perceived.

Obviously the answer lies in what the organisations elected to deploy in an ERP system. If these organisations have addressed their businesses end to end, but most don't, and ERP only covers core processes such as purchasing and finance.

It is for this community to be able to put the case for the Total Quality Management System as opposed to the certificate on the wall which is the aspiration of most organisations. Having a certificate on the wall while the quality is deteriorating, and the costs of maintaining it are rising as well as paperwork and bureaucracy crippling the organisation only serves to aggravate the already bad reputation Quality has.

2.3 Consultants Vs Auditors (Pigeon Holes)

Consultants are by now comfortable with the many labels they acquired such as “Quick Buck”, “Axe men”, “Getting paid 10 times for telling us what we already know”, “How many consultants does it take to change a light bulb...let me research it”, “Did you get laid off??? No I am a consultant..... etc..

New buzz words surface every few years keeping consultants marketable. The latest of which, are the six sigma “Judo belts” giving consultants a green field to practice their Judo onto their clients. Many are also not mindful of the agony faced by organisations when reengineering work done by consultants after they turned their back on these organisations, leaving others to feel the pain of the consequences of their work.

In the same manner, auditors are comfortable with their labels too. Auditors have moved a long way from the way auditing was conducted 25 years ago, when their main focus was issue control of documents and we used to spend hours arguing about whether a document should be version 2 or 2.1. Finger pointing at failures suffered by organisations as a result of poor consulting work does not help organisations. So, can auditors contribute to an organisation other than (X) Non conformances and (Y) observations?

So what do consultants do and what categories do they work under?

2.3.1 Corporate consulting

The crème de la crème, A rare breed, High profile high ranking and highly paid group of people who have made a very successful career from advising organisations about their ills. They are also highly respected by management and their views stick. Very few of those come from Quality management background which goes some way towards explaining why there is less focus on the Quality of the output

2.3.2 Workflow Consulting

This is a growing area now spreading substantially under the ERP umbrella. The objective of which, is to redesign and re-engineer the organisational processes from a predominantly failing set of processes to a new desirable automated methodology using many ERP systems. These tend to be almost exclusively the core financial management systems for organisations, leaving out the contributing factors that affect financial performance.

If I get a dollar for every time I hear “we have an ERP system, why we do we need a Quality Management System”, I would have retired along time ago. This is an obvious failure on the parts of consultants to convey to management what an ERP system will lack. Management more often than not, have a focus on the financial outcome, and struggle to understand the underlying reasons for the causes of poor financial performance. This is a role the Quality consultants should play and do play to a certain extent.

2.3.2.1 The role of consultants in audit process success

Do they have one? Or do we mean the preparation for the very first audit that takes place in an organisation to achieve ISO 9001 certification?

Very few consultants stay on long enough in an organisation to see the audit process kick in (following the short Trouble Shooting assignment). Everyone would agree that consultants tend to have a role to play at that early stage. It

is when an organisation is under pressure from its customers to achieve ISO 9001 in short time scales. Panic sets in, and consultants come to the “rescue” with a template for Quality Manuals etc that they have used for XX years or so which never failed to put in a QMS capable of passing ISO 9001.

There is also now more of a trend of the “Freelance” auditor and consultant, but never perform both in the same organisation. So it is hard to judge that same person in the 2 differing capacities. There is overwhelming evidence on the “Successes” and “Failures” in the eyes of organisations on both Auditors and consultants. This tends to be in the comfort zone they operated in.

I originally placed this section as a miscellaneous category under consultants. By miscellaneous, I mean auditors and consultants in the same person wearing different hats on different days. It means there are other less prominent areas of consulting such as,

- QMS documentation.
- QMS Maintenance etc.
- External Independent Trouble Shooters
- Internal Auditors
- External Third Party Auditors

Confused? Then do we expect less confusion from management? It is imperative that we are clear on what “Activity” the client is expecting from us. That way, we can promote specialised services to deliver to those clients. The activity could be:

The fact that organisations tend to train and develop internal junior auditors to maintain their audit programme, speaks volumes about the value they believe they get from consultants in this area. Consultants play more of a role in external audits as Freelance Third Party auditors. But rarely do they come across as value adding in this activity. They are caught between the rock of maintaining the business with that client by not rocking the boat and the hard place of appearing credible and value adding during audits. The latter tends to always win denting their credibility. It is a cruel fact, but the contribution of consultants as internal or external auditors is minuscule compared to their contribution as independent trouble shooting consultants.

3 Understanding the Market trends

A study (7) showed that there is no clear evidence that consultancy contributed to enhancing the implementation of quality systems. The study found that it is not perceived that any benefit was obtained by customers of quality consultancy services, customers' perceived quality and expectations of the quality of the consultancy service, relationship between perceived quality and benefits provided by the consultant, relationship between the quality of the consultant companies and their size and, finally, the cost of the quality consultant services.

In another survey of a random 899 USA hiring managers [9], only 15% of hiring managers rated their consultants as 'excellent.', and 58% above average. This means that 42% we average or below average. It was also shown that as companies become leaner and the workforce becomes older, it seems the use of highly qualified quality assurance consultants would be an attractive alternative to hiring full-time regular quality managers. To confirm this, the same survey confirmed that, in 2005 surveys of business leaders, more than 50% of respondents reported using consultants as performance management resources.1

One advantage to using consultants is to solve many of the entrenched views such as resistance to change and wanting to continue doing what they always did. To drive quality to become one of Management's strategic objectives [8], consultants offer more weight.

If you have any doubt about the market trends and where the world is heading towards, and the size of the shift or the benefits, some facts below will hopefully leave you without any doubts.

- Outsourcing is a \$4 trillion a year business [2]
- Outsourcing is expected to grow by 36% a year [3]
- General Electric outsources 70% of its head count. 70% of that outsourcing is offshore [4]
- A survey of 25 US companies showed they had \$50 billion in outsourced contracts[5]

- Harvard Business Review has identified outsourcing as one of the most important management ideas and practices of the past 75 years. [7]
- “If you are not best-in-world in doing something, and are doing it in-house, you are giving up competitive edge. You could outsource to the best in the world, up the value and lower the cost.” Dr. James Brian Quinn [7]

4 How should Quality Professionals react to Market trends?

Not all the problems or blame should be put on the shoulders of consultants and auditors. Senior management [10] have a big role to play in the success or failure of any initiative be it managed by an auditor, a consultant or a peer internal manager. Senior management often Talk the talk but do not walk the walk. For these initiatives to work, they have to Walk the Walk. An external person has a higher chance of pointing such issues out. This is when a consultant or an auditor may come in for the rescue.

Internal auditors are often powerless to influence change. That leaves auditing as an external function. Historically, this has been only carried out by third party certification bodies that come in once a year. Large organizations have negotiated a biannual audit cycle to save costs. Reducing the policing activity to biannual activity, buys management more time to ignore Quality Systems. And so on. We entered the vicious circle. Lack of focus on the Management System, leading into lack of effectiveness, which in turn leads into lack of faith in the systems and therefore lack of faith in the people driving them

Now the problem is clear, how do we go about solving it?

In a word, the future for Quality, is Outsourcing. But what does outsourcing mean?

It certainly doesn't mean that senior management abandon all interest in it, or send the work abroad [1]. But what is does mean is bringing in outside suppliers who take full responsibility for the processes and methodologies applied to deliver the organisational Quality objectives. I suppose everyone will now jump and say, “What's new in all this? There have been consultants doing just that for tens of years”?

That is certainly true. That's what happens now. But looking at the results of the present way of doing things is that we have the fragmented approach of consultants coming in putting in a system (often doesn't resemble what the organization does” then walk off leaving internal engineers and managers to run with things without training. Many of these get re-engineered in line with the views of those who inherit them. Then the auditors Internal and External ones struggle to make any headway due to the ineffectiveness of a system that is not less than 2 years behind what is actually going on in the company. Then back to square one.

So what is different in my proposal? The outsourcing that we propose will mean that Quality consultants will take full responsibility for the development, Implementation and maintenance of these systems on an ongoing basis. You may say well, many already do, especially for small and medium sized organizations, so what is different?

The difference here will be to bring into these organizations a pledge of adding Value by delivering Improved Quality of the output combined with a cost reduction. This is the challenge for the future. Costs can be reduced [6] by more than 50% simply with traditional outsourcing. QMSrs [11] claim they guarantee savings of up to 50%. So, Can it really be done? Yes of course it can be done, but it needs to be accompanied with the pre-requisites for the success. What are these pre-requisites?

First of all you need to pick the right partner to outsource to. The choice of consultants and auditors is overwhelming, so who is the right partner? The first question is what Experience do they have and what will they bring that is different? Bringing in the complete skills and services an organization could need is certainly fundamental. Asking yourself if this supplier will bring in any of the following:

1. A complete range of training courses that are accredited internationally
2. Hosting services for a QMS reducing IT costs

3. Paperless approach with the evidence of user friendliness
4. Complete set of toolset to manage quality effectively
5. Measures and Dashboards that management may use for decision making
6. Recruitment and staffing needs for their clients with a wide pool of people for customers to choose from
7. Forums that link the organization with the outside world
8. e-learning to promote the organizations training skills at much reduced costs
9. Experience in implementing such an Approach

I hope you would agree that someone bring in this approach to an organisation, is more likely to deliver a system that would lead to successful deployment, operation and better Quality Improvements within an organisation. Improvements are based on evidence rather than gut feel. If we are advising managers not to manage by gut feel, why should we expect them to believe our gut feel about our successes?

5 Conclusions and Recommendations

It is evident that the market is changing rapidly around us. The Quality community needs to change to adapt to these changes and embrace new ways of working. Quality specialists have a big role to play in the current and future market. But we need to change with it. Customer Expectations are rising and the deliverables from Quality specialists are falling. The reasons outlined in this paper for the decline are reversible if we embrace the change. All specialists have a wealth of experience to handle the change. We breach change to others. We should breach it to ourselves to survive.

In summary, the future is Quality. The future of Quality is in Outsourcing, the future of Outsourcing is Automation and user friendliness.

The future is QMSrs.....www.qmsrs.com

6 References

1. 2004 Enterprise Systems Outsourcing Survey October 2004
2. Dun & Bradstreet
3. Michael F. Corbett, Executive Director, International Association of Outsourcing Professionals
4. Newsweek August 2004
5. Deloitte Consulting April 2005
6. QMS Sourcing@: Outsourcing the Quality Management System, David A. Lalain, Omnex
7. Do quality consultants offer a quality service? Viadiu F.M.; Casadesús Fa M.; Saizarbitoria I.H. Total Quality Management, Volume 13, Number 6, 1 September 2002 , pp. 797-811(15). Publisher: Routledge, part of the Taylor & Francis Group
8. Susan Lubega, QAM&C “The Systems Builder” www.qamconsultants.com
9. Yoh, a unit of Day & Zimmermann, November 6 2007
10. Alan Weiss, 1990. Best Laid Plans: Turning Strategy into Action throughout the Organisation. United States of America: Las Brisas Research Press

7 Author

Bassam Zaidan (MSc, FBCS, FCQI, CQP, IRCA Principal Auditor)

Is the founder and CEO of QMS Resourcing Services (QMSrs), a UK company specialising in QMS Outsourcing.



- He has well over 25 years of industrial experience in Introducing, Maintaining, Implementing and Re-Engineering Quality Management Systems at global giants such as AB Electronics Group, Mitel Telecom, Mitsubishi Electric, Electronic Data Systems, covering Governments and Commercial Giants such as Rolls Royce, BP, Financial Institutions, London Transport, Home Office and the Ministry of Defence
 - He has served as a Global Quality Director and Business Operations Manager for the world biggest enterprises with Sales of 3.5 Billion US Dollars
 - He is an authority on Business Process Re-engineering Project Management and Performance Improvement reducing operational costs and efficiency improvement adding value to an organisation bottom line.
- Having won awards for the organisations in question from the likes of Sony, Honeywell and others, speaks louder than words
 - He is also a Fellow of the Chartered Quality Institute Chartered Quality Professional, a Fellow of the British Computer Society as well as a Principal Auditor with the International Register of Certified Auditors
 - He published papers on Requirements Management Stakeholders and articles on Quality in various magazines