

Title:

Auditing Business Performance

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Summary:

As has been the case for many years now, the business environment is increasingly complex, change occurs more frequently and more rapidly, and performance levels are expected to be raised to even higher levels. Businesses are constantly searching for new strategies and techniques to help them to manage more effectively. However, there is a well established tool, with many variations, that would be of immense help to any business, yet is ignored by many. This is the performance audit.

Keywords:

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Article Body:

At one level this is a relatively simple tool, requiring the management to select a key area of business activity and to audit performance in that area, comparing to previous performance levels and, ideally, benchmarking against known best practice and performance levels. The information generated by these audits will then be used to identify unsatisfactory performance and enable measures to be introduced to bring about improvements.

The business areas that should be regularly audited, in any business, whether public, private, or not-for-profit, include: External Environment: well established tools and techniques are available and used to scan the external environment for information on issues, events, and trends that will impact on the strategies and performance capabilities of the organisation. The quality of this information, and the interpretations of it, is critical, as it is the foundation stone of the strategic planning activity that follows. An audit of processes, tools, and techniques, and the quality of output, is essential in ensuring that the strategic planning process is provided with high quality, relevant, valid information.

Competitors: although an element of the external environment analysis activity, this deserves a separate mention. Monitoring and-or benchmarking - variations of auditing - of competitor performance is essential. Competitors are, by default,

in the same business, and gaining knowledge of competitor performance levels, in as many key areas as possible, will bring benefits to any organisation in any sector.

Strategic Planning: often an area of activity that is not evaluated, because it is carried out by the senior executive levels of management, but should be. In addition to the information gathering discussed above, the level of expertise in strategic planning of the managers, the rationale and justification for the chosen strategies, the processes used to communicate the strategies throughout the organisation, the level of support and resources provided for implementation, the performance of existing and previous strategies, are all areas that should be audited in order for optimum performance to be continuously achieved.

Leadership: separate from the Strategy audit, the quality of leadership should be audited regularly. A set of competencies for leadership, at all levels in the organisation, should be drawn up, and the leadership performance measured against these. Development activity should also be based on these competencies, and on eliminating or reducing weaknesses identified by the audit.

Culture: the existing culture that blend of beliefs, values, perceptions, behaviour, that makes up the culture of the organisation should be regularly audited and compared to the culture that is desired by, the objective of, the organisation's leaders. Particularly at times when the organisation is planning or undergoing major change, information gathered from these audits will be invaluable.

Financial: where, although there is usually a framework of management and financial accounting processes, there is a need to rigorously and regularly audit the effectiveness of these, to ensure that the budgeting and accounting activity is as productive as possible.

Suppliers: one of the most critical areas of any organisation's activity, the start of the supply chain, supplier performance, including the performance of those in the organisation who audit supplier performance, must be audited, rigorously and regularly. Now accepted, in parallel with research & design and strategic planning, as one of the foundation stones of quality assurance, any weakness in supplier performance can damage the organisation, sometimes irreparably. Auditing ensures that optimum performance levels are maintained.

Physical Resources: the quality of and use of physical resources, such as raw materials, operational equipment, technological equipment and systems, furniture, fittings, and buildings, all need regular auditing to ensure that the

most appropriate resources are purchased, installed, maintained, and used effectively.

Human Resources: this entails auditing the quality of human resources employed by the organisation, the way in which they are deployed, how well they are trained and developed, as well as what opportunities and channels exist for progression. Every aspect of human resources activity should be audited at all levels, from operational up to and including executive level.

Equality: encompassing diversity, discrimination, and equality of opportunity which are all key areas that if not audited regularly to ensure high levels of performance not only abiding by legislative requirements but also contributing positively to the culture of the organisation will lead to conflict, dissatisfaction, lower morale, lower motivation, and ultimately lower levels of performance.

Internal Customers: often ignored, the level of satisfaction of internal customers the next department, individual, or team, that handles the next stage of production or service creation is critical. Overwhelming evidence shows that dissatisfaction of internal customers, leading to breakdowns in communication and cooperation, is one of the major causes of poor overall performance.

Distribution: of the products and-or services provided by the organisation is an essential element in making the organisation successful. Auditing this process will ensure that logistics best practices are in place, and that distribution activity is contributing positively, in terms of financial costs and corporate identity, to marketing, sales, and customer service efforts.

External Customers: auditing the satisfaction levels of external customers is a critical activity that should be carried out on a frequent basis. Customers here include all those at separate points in the distribution chain, through to buyers and end users. Information drawn from these audits will ensure that the organisation is in tune with and can respond appropriately to the needs of its most important stakeholders its external customers.

Stakeholder Relationships: stakeholders are any individual, team, external organisation, that has a legitimate interest in the performance of the organisation. This could include, depending on the sector and specific organisation: employees, unions, parents, relatives, local or national media, local authorities, emergency services, shareholders, financial institutions, funding bodies, governors, national or international governments, strategic partners, and of course, a variety of external customers. Relationships with each of these, in their own way, are critical, and should be audited regularly

to ensure that they are as healthy as possible.

Quality System: deliberately listed as the last area to be regularly audited, this is an audit that should be carried out in addition to all the individual audits listed above. Whether an organisation has an externally certificated quality assurance management system, or an internal only system, there should be quality criteria set for every critical activity, event, stage, and process, from the starting point to the final point of the supply chain from the earliest stages of design and supply activity to the point where the product or service is in the hands of the final, end-user customer. Quality criteria that describe required quality levels, performance levels, and outputs, are essential to the success of any organisation. The quality system, including the internal and external auditing processes, should be audited to make certain that it is performing as intended that is, assuring that the required quality standards are being met, and of course, continuously improving.

Effective auditing will bring a number of benefits to the organisation. The first group of benefits are those where obvious weaknesses or problems are identified, including: identifying where immediate improvements could be made; identifying emerging trends that may signify corrective, defensive, or offensive action is needed. The second group of benefits are more subtle, and include: identifying the actual situation, rather than what is perceived to be the case by management or specialists; increasing the pool of knowledge that individuals and teams can learn from; ensuring that the operational activity is, as intended, supporting the strategic objectives: establishing a culture that expects performance to be regularly audited and evaluated: establishes a culture that is driven by continuous improvement activity.

Unless an organisation continuously audits and evaluates its performance in all key areas, it cannot know for certain where poor performance is occurring, and it cannot take corrective action because it is not aware of the problem, or it does not have sufficient information on which to base appropriate action. Rigorous, regular auditing will provide a flow of valuable information that the organisation's management can use to decide on operational changes that will improve performance in critical areas. Applied across the whole organisation, this will provide the strategic objectives with a stronger foundation of support, and ultimately more chance of success.