

## Operations Audit

# Practice put to the test

*The «operations audit» co-developed and refined by Beat Schlumpf, head of logistics and SCM projects at Brechtbühl AG (BTL-Logistics) offers major advantages in comparison with conventional audit forms based on theoretical approaches. With a reduced investment of time and resources, the weak points in business processes are quickly identified at the workplace, thereby generating many suggestions for increasing efficiency.*

Today's forwarding and logistics companies can choose from a variety of methods for checking, monitoring and optimising their business processes. The advocates of all these methods claim that they reduce operational costs, increase productivity, raise market share and reduce error rates.

Whether Six Sigma, ISO 9001:2000, TQM (Total Quality Management), EFQM (European Foundation for Quality Management), SCOR (Supply Chain Operations Reference-Model), companies are constantly engaged in the attempt to acquire the specific methodologies (including the required software) and to implement them in day-to-day operations.

All this is only made possible through building up internal and usually also external resources, which requires the time-consuming accumulation, analysis and interpretation of data, the creation of standard operating procedures, the writing of checklists, manuals, training courses and reports. Material and

data flows can now be simulated by computer and we can model processes such as the release of shipments from stock, traffic congestion and much more.

## Gap between theory and practice

«It is certainly true that such systems are necessary to maintain the momentum of an ongoing improvement process, to assure the quality of products and services and finally to create added value for the customers and the company,» said Beat Schlumpf, head of logistics and SCM projects at Brechtbühl AG based at Muri (near Bern/Switzerland), which belongs to the Thiel Group Luxembourg. The problem with all these methods is, however, that they are largely based on theoretical knowledge of processes and their effects on the company, that is the data is obtained from spot checks, short interviews, hypotheses and self-evaluations. «Figures often reveal a weakpoint but often not the reason behind it,» claims Schlumpf. Furthermore, many conclusions are based on subjective perceptions or to put it another way: «For the same problem, we will obtain different feedback about the possible cause.» Schlumpf is well aware that there is a yawning gap between theory and practice, pointing to the recent example of the broken mast of the New Zealand yacht in the America's Cup. The material used to manufacture the mast had not withstood the loading in real conditions at sea, despite thorough computer modelling.

Drawing on such experiences, Schlumpf refined a method which he calls «Operations Audit» that was originally developed by Schweizerische Post

Photo: ITJ archive

(a.k.a. Swiss Post) the evaluating operating procedures. He successfully applied it at Brechtbühl AG in recent years.

The «Operations Audit» relies on the completely practical sampling of all business processes. An audit team whose composition depends on the size and structure of the business, observes all staff at work during a predefined period (1 to 2 days) from the warehouseman on the factory floor right up to the branch manager in his top floor office. They conduct the necessary interviews, making note of both the weak points and the plus points.

## The phases of the audits

In relation to the benefits, the time outlay demanded by this approach is modest, claimed Schlumpf during a tour which was part of a recently conducted audit at the Arlesheim (Switzerland)



**Beat Schlumpf** (r.), head of logistics at the Brechtbühl Group seen during an «operations audit».



During the 1 to 2 days of the actual audit, from the beginning of the working day through to its end, all business processes and the resources used in their execution are examined. Every worker is interviewed by several auditors about his job and is encouraged to point up any problems and difficulties. Thus a picture of the processes and activities within the company can be obtained which is a very good approximation of the actual situation, says Schlumpf. «On the basis of the results that we get, I can immediately identify areas where action is required, for example, where there are too few staff or too many.»

### Good results

Experience from previous «operations audits» had shown that most staff members coped well with the idea of being under permanent observation for a limited, clearly defined period, said Schlumpf. For many, this was the sole opportunity to share their suggestions and experience with an independent party. The statements from staff are treated in the strictest confidence and remain anonymous.

Many problems and areas of confusion can thereby be resolved at the workplace by taking immediate steps, continued Schlumpf. The audit team can also establish deficits and gaps in the knowledge of workers through the interviews and is thus, for example, in a position to recommend appropriate training programmes. «The audit provides a unique opportunity for swapping notes,» said Mario Beyeler, head of stores at the Muri branch and a member of Schlumpf's audit team. «Thus if I notice any weakpoints or defects here in Arlesheim, I can look at my warehouse in Muri to see if the same problems have to be rectified there and conversely the head of the Arlesheim warehouse can benefit from my tips.»

Following the audit itself, the following day the data collected from the interviews and observations is analysed. On the basis of this data, a catalogue of recommendations is drawn up with a time line laying down their cutoff dates for their implementation, which is discussed in detail with the managers of the branch or company in question. Those charged with the management of the audited operation



*The key element of an «operations audit»: Interviewing individual members of staff. Photos: Schröder*

then undertake to initiate and institute the necessary measures.

### Remedial measures

Whether the recommendations have actually been implemented and whether the hoped for results have been achieved is monitored by the audit team after the agreed period for the implementation has elapsed (within three months). This final inspection marks the conclusion of the «Operations Audit». The audits are then repeated within the next 12-15 months.

«An operations audit offers an attractive alternative to conventional methods for anyone who is serious about tackling his operational problems immediately and who requires rapid results,» maintained Schlumpf, who concluded by summarising the decisive advantages of this approach: «Internal weakpoints are identified with a minimum investment of money and man hours. And proposals to rectify any shortcomings are established and discussed with the manager in question, a schedule for their implementation arranged and they can be implemented immediately. We obtain our information directly from practice and can thus react much faster – that is the big advantage compared with the familiar quality assurance initiatives based on an abstract approach.»

*Beat Schlumpf/Ralph Schröder*

[www.btl-logistics.com](http://www.btl-logistics.com) [www.beat-schlumpf.ch](http://www.beat-schlumpf.ch)

branch of Brechtbühl AG. In an initial preparatory phase, which takes at most two working days, the audit days are fixed. So that these days are put in an objective context, two reference days (the same weekdays of the previous working week) are selected and all relevant data such as inbound and outbound delivery volumes, working hours, personnel are logged and processed.

### Determining the size of the team

Depending on the size of the company or the branch, the individual workplaces are assigned to sectors, the number of auditors required are determined and a schedule for the team drawn up. Finally the documents needed for the audit are drafted and the auditors are issued with their instructions. Schlumpf works with a permanent team whose members are thoroughly familiar with the company's internal processes and systems.