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Welcome to the September edition of our e Quality Edge



Paul Harding

In this month's edition **Paul Simpson** follows up his series of articles by asking "What do we mean by Quality 4.0".

We welcome an article by one of our long term SAQI members **Johan Bezuidenhout** on "Why don't your IMS Audits support your Business Objectives".

Jacques Snyders gives feedback on SAQI's latest training initiative of Improving Quality in the Service Industry.

National Quality Week will soon be upon us and we remind you of the theme and ask you to tell us what you are proposing during this important week on the Quality calendar.

Terry Booysen informs us why internal audit require greater representation on the board. And our regular contributor **Richard Hayward** highlights Leadership Awards.

This month we had an interesting plant visit to one of our member organisations and we will be giving feedback on the event in next month's issue.

If any of you would like to contribute to future newsletters please contact us.

Please feel free to pass on our newsletter to your network and we look forward to input from you for our next edition.

Paul Harding

SAQI MD



WWW.SAQI.CO.ZA

Quality:

helping South Africans live, learn and work better



What do we mean by Quality 4.0?

by Paul Simpson | Chair of ISO TC 176 Sub Committee 2 - Quality Systems

Introduction

A simple Google search for Quality 4.0 will lead to multiple results, 229 Million the last time I tried. Some articles are very good and provide excellent examples of what constitutes the 4th generation of quality management. Much in the same way that there is no consensus on when the various stages of the Industrial Revolution actually took place (or, indeed, if there were distinct stages) my take on Quality 4.0 is that it is not a revolution but may be an evolution in the way we approach quality in an evolving landscape.

Please don't consider me a Luddite. I love technology as much as the next person. My group of friends repeatedly reference Inspector Gadget when talking about me, but here is the main point in this article; I am rarely an early adopter because I need some quality in my technology before I'll part with my hard-earned cash. Bitcoin has been around for years and there are many people who have made fortunes with it but, similarly, there has been a lot of money lost by speculators who follow the 'new and shiny' aspect of cryptocurrencies.

Artificial Intelligence

What about another buzzword that sits with Industry 4.0, Artificial Intelligence (AI)? This is a technology that will transform our lives as we move through the rest of the 21st Century, surely? Again, at the risk of being labelled old-fashioned, let me sound a note of caution: technology only delivers benefits if it is clearly planned, executed, monitored and improved over time. If that statement sounds like the Shewhart / Deming PDCA cycle then it is, firmly rooted in the early part of last century.

For every technology development, we generate new potential failure modes and, whatever your flavour of Quality (1.0 to 4.0) you need to ensure that controls are in place at every stage of development, implementation and maintenance to identify and manage these potential failures and protect the organisation, its customers and end users.

Examples

It is too easy to jump on the Boeing 737 Max bandwagon here but I'd rather deal with a couple of less dramatic, local examples:

- Hotel key cards - at some hotels they work fine for the duration of your stay, at others they require reprogramming a couple of times a day. Recently, when delivering a 5 day lead auditor training course I had four instances when we couldn't get into the training room - embarrassing. When you return to the reception desk to get the card reprogrammed there is the usual: 'You have to ensure the card is not kept next to your mobile phone' and, when you tell the desk clerk that you are aware and ensure that the two are kept separate

there is always a suspicion on their part that you haven't. Upon investigation, it seems it is not 'user error' but that the technology is a bit flaky and the hotels go for the low-quality option.

- Telephone call trees - if you believe the spin the touchpad option selection mechanism used when you call a B2C organization will get rid of all queues and transforms our experience as consumers. The reality is somewhat different. As I select from a range of options (that never quite matched my query) and enter my account number, pin code, inside leg measurement and have answered my security question to get through to an agent (assuming I haven't been lost in the system and had my call cut off), only to have to repeat the information previously provided. This is data management 101, you capture information, manage it, use it, and keep it for as long as it has value and then retain what you need as evidence the process worked successfully up to the point when it no longer has value and then you delete it securely.
- Online ordering - Use of eCommerce on the web, click and collect and home delivery have transformed the traditional retail industry. Again it is a fundamental quality expectation that the organization's online experience, back-office function, retail outlet and stock control activity will all align to match customer expectations based on their online experience. In a recent case, this was not effective: having researched DIY products using a range of providers' online portals I chose my preferred item and headed to the store to pick them up to be able to return and start my project. There were no products in-store. When a staff member identified the items indicated on his system as being in stock they were nowhere to be seen, the proposed solution was for him to zero off the stock and for me to return home and, after a couple of hours (to allow for the stock change to take effect) order the items for click and collect the following day. Aside from the extra journey for me, it seemed this solution was instead of the DIY retailer taking responsibility for its processes. As my only option, this was how it played out except the in-store delivery was not the next day but 3 days ahead, after I was expecting to complete my project. The order has been cancelled and another option used.

Conclusion

In summary, technology only provides solutions if it is effectively assimilated into an organization's processes. There are many organizations who 'early adopt' themselves into over-reliance on technology. While their market is buoyant they remain profitable but, when hard times come around, their lack of customer focus and effective management of processes means they lose ground and are found out by less 'sexy' competitors who understand, and stick to, their knitting and knit one, pearl one using robust processes operated by competent people and effective support systems. Recent and current technology updates (such as the examples above) can help build or erode brand value. For technology advances to deliver customer satisfaction we rely on the effective selection and implementation of our technology and that currently relies on good old Homo sapiens.

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Why don't your Internal Management System Audits support your Business Objectives?

by Johan Bezuidenhout

Introduction

According to management theory icon Peter Drucker the purpose of any business is to create a customer.

If that is true then every function in the organisation should focus on this, including the Internal Audit Function. I have seen quite a few Internal Audit Programmes during my career that were designed to only ensure compliance with the Management Standard. I have yet to see programmes designed specifically to focus on the achievement of business objectives.

I concluded that internal audits are wasting time and do not contribute to the sustainability of the organisation which is a result of our obsession with compliance rather than ensuring sustainability.



During my research to find ways to improve how we do audits I came across a 2012 article on the effectiveness of internal auditing by Ernst and Young recommending:

Designing and planning audits to support the organisation's objectives

Internal audits should be designed and planned to support the organisation achieve its objectives. The auditor should have a clear understanding of the purpose of the organisation and how to achieve this. In 1472 renaissance genius Leonardo da Vinci discovered that if the image of an object doesn't enter the eye through the centreline the picture becomes blurry. The same holds true for an internal auditor who doesn't have a direct line of sight on the organisation's vision.

Aligning the Internal Audit Function with the organisation's vision and strategy

One of the most powerful messages from the Ernst and Young survey is that every Internal Audit Function should have a three to

five-year strategy aligned with the vision and strategy of the organisation. Most organisations schedule an internal audit to coincide with the external audit aimed at compliance with the requirements of the Standard to ensure all is well from an external audit perspective, ignoring the organisation's business objectives. Internal audits are therefore compliance orientated and don't support business objectives.

Training Internal Auditors in Business and Management

Ernst and Young recommend reconsidering the training of Internal Auditors and I couldn't agree more. Internal auditors are sent on five-day training courses where the first two days are spent understanding the standard and two days on conducting opening and closing meetings and only if time permits covering what the audit report should look like and the theory of auditing techniques.

There is almost no practical training on teaching auditors how to conduct the audit, how to ask the right questions and how to investigate the auditee to find the areas requiring improvement. Very few organisations train their auditors in business principles and how to run a business.

'Fun uncle' of business theory and quality management Phillip Crosby said that the biggest downfall of the quality profession is that quality professionals don't understand business and management.

Running the Internal Auditing Function as a Business

The Internal Auditing Function should be run as a business, add value and be held accountable for that. If the Internal Auditing Function doesn't have a positive impact on the bottom line it is no longer relevant.

I do think there is a future for internal auditors in organisations if we act now! Organisations are not going to keep us hanging around for much longer if we don't have a positive impact in supporting the realising of business objectives.

About the author

Johan is a SAQI member and is recognised in South Africa and abroad for his ability to move Quality Management and Business Management Systems in highly complex organisations into the territory of driving strategic performance. Beyond Quality Consulting specialises in the implementation, improvement and management of ISO 9001 Quality Management Systems as well as Safety, Health and Environmental Management Systems.

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Continuous growth of the SAQI service industry program

by SAQI staff

Over the last couple of months, we have witnessed a steady and continuous growth in the number of delegates completing the SAQI service industry training programs. SAQI would like to congratulate the 15 delegates who completed their Level 2: Certificate in Quality Control for the Service Industry this month, with representation from industries such as standards, short term insurance, life insurance, hospital and road accident fund.

What delegates learned in this 2 week program included an:

- **Introduction in Quality Control:** This module focuses on issues relating to the importance, history and difference in function of quality control vs quality assurance.
- **Introduction to Statistical Techniques:** Using various types of measurements to improve quality performance. Delegates were taught how to collect data and how to plot, interpret and use collected data to improve quality.
- **Introduction to Quality Circles:** Covers the basic aspects such as visual managements, how to establish visual management areas, team coaching and team dynamics.
- **Problem Solving:** Using the A3 problem solving techniques, delegates can now define problems with the proper use of statistics, measure problems, conduct a root cause analysis and effectively implement solutions.

SAQI hosted the last session for 2019 this month and hope to see more delegates through this development programme in 2020. Once again, congratulations to the service level 2 delegates who successfully completed the program this month.



For more information contact Vanessa du Toit at vanessa@saqi.co.za



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Theme for SAQI's 2019 National Quality Week

We are pleased to announce our theme for **National Quality Week** that takes place from the **11th to the 15th November 2019**. **World Quality Day** will be held on **Thursday the 14th November 2019**.

“Creating Value through Quality Performance” ©SAQI 2019

This year we want to encourage our member organisations and our associates to view Quality improvement as the vehicle to create value for all their stakeholders.

Very often Quality Management is seen as an on-cost to the organisation and something that should be left to the Quality department.

We need to see Quality Performance elevated to the Boardroom and inculcated into organisation strategy to be used as the driver to create value and long term sustainability to the organisation.

Quality Performance cannot be seen in isolation. We need to link our Performance with our Organisational Purpose, our Processes and our People.

SAQI senior personnel will be available on a first come first serve basis to assist our member organisations during National Quality Week.

For more information email vanessa@saqi.co.za



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Internal Audit Require Greater Representation on the Board

by Terrance M. Booyesen and peer reviewed by Jene' Palmer CA(SA) (CGF Lead Independent Consultant)

A plethora of corporate governance codes has been written across the world, and in spite of their recommendations which *inter alia* seek to protect stakeholder interests and shareholder value, many governance failures and organisational collapses continue seemingly unabated.

To use the Eskom debacle in South Africa as a recent example; notwithstanding their public claims of being compliant with numerous legislation -- including the provisions of the King Code for Corporate Governance for South Africa, 2016 ('King IV™') -- it is alarming that this organisation is ostensibly at polar opposite sides to good governance. Despite scooping a number of awards for their annual integrated reporting in 2015, the on-going revelations of poor governance at the organisation appear to indicate that the information disclosed in their annual report was either misleading, inaccurate or incomplete. It has become clear that the integrity of the organisation's external reporting cannot be relied on by stakeholders. In the absence of accountability, this situation is unlikely to improve.

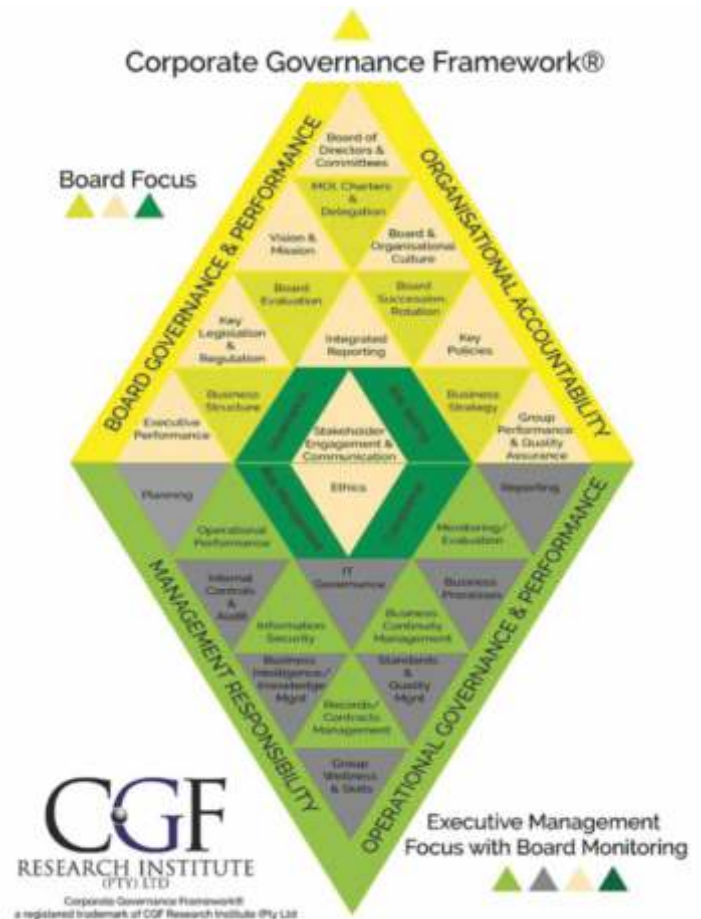
Poor management controls and incomplete information

It is disturbing to note that many directors (in both the public and private sector) complain that they are not adequately inducted to the affairs of the company, nor are they being provided with sufficient, timely, relevant and / or reliable information to make proper and informed decisions on behalf of the organisation. This implies that the board may in fact simply be *relying* and *acting* upon the boardroom discussions being led by the executive directors, supported by the board pack information. Expectedly, with differing or competing agendas, conducting the business of the organisation in this fashion will inevitably lead to disaster.

This dire situation is compounded if there is an overly dominant and controlling Chief Executive Officer ('CEO') who only offers certain or guarded information to the board in order to protect themselves from the likely consequences of their actions and poor leadership. Added to this reckless behavior, the CEO in these cases is likely to also have instructed key employees on the extent to which they may divulge and or share sensitive information as a mechanism to safeguard the CEO's own misdemeanours. Expectedly, in the event that these employees were to be invited to the board meeting, the threat of over-sharing sensitive operational information will have been limited by the CEO's veiled threats, however these may have been cast.

The overall result of this sort of behavior will result in the board only having limited, or worse, incorrect information. Ultimately,

through this sort of *modus operandi*, any decisions taken by the board on behalf of the organisation will be fatally flawed.



One must not blindly assume that all directors fundamentally know what information must be called for to make proper risk judgements and informed decisions, and what aspects of such information may be relevant or not. Indeed, many non-executive directors may not actually know what they don't know, and therefore they will not necessarily call for more information if same was missing in the first place. Clearly, this situation is exacerbated where the non-executive director occupies multiple board positions across different organisations.

Proper oversight is key to good governance

One of the primary reasons for introducing a Chief Audit Executive ('CAE') to the organisation's key leadership structures, was to ensure a better way of balancing the power and command at board level, including a more objective manner of reporting

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various risks to the board. The CAE has an administrative reporting line to the CEO, but reports functionally to the Audit Committee. The CAE together with their internal and external audit providers acts as "the eyes and ears" of the board. In order to do justice to their function, it is imperative that they have a complete and independent overview of the entire organisation such that they are able to provide assurance over the organisation's risk management, governance and internal control processes. To achieve this objective it is therefore critical to ensure that the scope of the organisation's audit arrangements is not limited to merely 'tick-boxing' certain mundane items that have been ring-fenced by the CEO or which continue to appear on the audit plan year after year. Comprehensive governance, risk and compliance assessments should be performed annually and should be used to inform the internal and external audit plans.



Understanding the GRC issues is key to risk mitigation

With the introduction of the Corporate Governance Framework®, organisations and their boards -- including key stakeholders -- are assured that the governance, risk and compliance ('GRC') position of all the areas of the business are being subjected to regular assessments. The credibility of these assessments is strengthened when the evidence underpinning the framework is corroborated by internal audit or independent assurance providers. The framework contributes to the organisation's combined assurance principles and allows the board to draw comfort by knowing that there is agreement on which areas of the business are being well governed and which need to be prioritized for further intervention and oversight. The levels of combined assurance must be reported upon within the organisation's annual reporting. In other words, stakeholders need to know that there are sufficient, effective and efficient controls that defend the organisation against numerous known risks, and these assurances must be provided by *inter alia*; the executive and non-executive directors, the board and management, the internal and external auditors, as well as the organisation and its regulators. Anything short of a combined assurance approach is no longer acceptable, and professional bodies such as IRBA (the Independent Regulatory Board for Auditors) and IIA SA (the Institute of Internal Auditors South Africa) play a critical role in ensuring that their members adhere to and report on the implementation of combined assurance

principles within their clients.

With a Corporate Governance Framework® in place, all the vested parties will have access to the necessary and relevant GRC information, and the board in particular, will have the benefit of knowing that the auditors have fulfilled a broader and greater value-added purpose which will go a long way to providing greater levels of assurance to the organisation's stakeholders.



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Quality in Schools

Many of our readers are parents themselves or interact often with children. We have asked our education editor, a retired headmaster, to share thoughts on how to get Quality principles and practices instilled in young people.

By Dr Richard Hayward

“... and the Leadership Award goes to...”



Soon the 2019 South African school year will end. One end-of-year ritual is the Prize-Giving or Valedictory Ceremony. This event is a time to congratulate and reward learners who've excelled in different areas of school life. There are two award announcements that usually create a sense of heightened excitement amongst everyone present. The first is the Leadership Award. The second is the announcement of the school leaders for the next year. These two award categories are often the topics of intense discussion in the school community. At staff level, there are formal meetings to decide who should get these prestigious awards.

Many criteria are used by staff to help in the selection process. A starting point is to look at the child's level of commitment towards the school. Does the learner work to the best of it's' ability in the classroom? What involvement is there to the school outside the classroom? How good are the interpersonal skills with others?

At a deeper level, there's a focus on how the child 'walks the talk' of the core values of the school. Does the learner, for example, display compassion, initiative, integrity, kindness and perseverance? There's one stand-out value that could get special scrutiny by a selection committee.

That value is that of being courageous. A leader who displays courage is arguably at the highest level of leadership. Winston Churchill observed:

Courage is rightly esteemed the first of human qualities because it's the quality which guarantees all others.

In most schools, only a tiny fraction of the learners get 'official' leadership status. Yet every child can display much courage. What are the traits of leadership courage? A small sample would include:

Be humble, be vulnerable: Nobody gets everything right by themselves. Be willing to learn from others. When a mistake is made, take it on the chin. Own up and move quickly to right any wrongs.

Get comfortable with being uncomfortable: True leadership isn't being part of a cavalcade of top-of-the-range German cars, flashing blue lights and screaming sirens. Leadership involves working much harder and sometimes longer than others. It can involve being uncomfortable to make life better for others. It's a spirit of selflessness.

Give credit to others: Courageous leaders let go of the need for pomp and praise. They give others the accolades.

Lead change: Far too often folk know what needs to be changed but do nothing. Courageous leaders assert, "If no one's prepared to do it, I'll do it!" They don't need to be in official leadership positions to rev up the engines to bring about change.

Say what needs to be said: In the business world there's a cliché that says that if one customer complains, there are at least ten others who have the same complaint. Courage entails speaking up and out.

Yes, a school might select only a miniscule number of courageous leaders but there are many more unrecognised ones. Those unrecognised leaders are just as worthy as those standing on the school stage wearing blazers or tracksuits adorned with bright badges and neatly sewn-on scrolls.

Maybe within your own family, you might have wondered why a deserved leadership role was denied. Not every child gets due recognition. However, a courageous leader understands that reality and carries on being courageous.

Reference

Pena, S 2017. *What is courageous leadership?*
<https://www.wework.com/ideasw/what-is-courageous-leadership>

Tardanico, S 2013. *10 Traits of courageous leaders*
<https://www.forbes.com/sites/susantardanico/2013/01/15/10-traits-of-courageous-leaders>



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UPCOMING EVENTS / 2019



SAQI KNOWLEDGE FORUM

Oct 9

Hosted by **Assupol Insurance**, this years forum will focus on the various Continuous improvement methodologies (Lean, Six Sigma & 20 Keys). We have invited 5 industry speakers to share their views with us on these topics. Open to members and non-members.



NATIONAL QUALITY WEEK

SAQI invites all business members to celebrate National Quality Week. The theme for this year is **"Creating Value through Quality Performance"** ©SAQI2019

Nov 11 - 15

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SAQI Training Programme for 2019

All courses offered by the South African Quality Institute are presented in association with other course providers and are available to all organisations and individuals. SAQI can assist with the training of a company's workforce and all training packages can be run in-house at cheaper rates. A special discount applies to SAQI members. For more information or to register contact Vanessa du Toit at (012) 349 5006 or vanessa@saqi.co.za

1. SAQI reserves the right to change details of the programme without prior notice. [click here](#) for all course synopsis.
2. The courses listed below form part of a specific Certificate and all modules should be successfully completed to qualify for the Certificate.
3. Training is presented on the CSIR campus in the east of Pretoria.
4. All courses completed previously will receive credit when proof of successful completion is received.
5. All prices **include VAT @ 15%**.

Code	Course	Days	Cost	Jun	Jul	Aug	Sep	Oct	Nov
L2	Certificate in Quality Control for Manufacturing	10	22,790-00	Jun	Jul	Aug	Sep	Oct	Nov
B41	Introduction to Quality Control	2	5165-00					28-29	
B90	Introduction to Statistical Techniques	3	6230-00					30-1	
B91	Introduction to Statistical Process Control (SPC)	3	6230-00						18-19
B79	A3 Problem Solving	2	5165-00						20-22
L2	Certificate in Quality Control for Services	10	21,725-00	Jun	Jul	Aug	Sep	Oct	Nov
B30	Introduction to Quality Control	2	5165-00						
B31	Introduction to Statistical Techniques	3	6230-00						
B33	Introduction to Quality Circles	2	5165-00						
B34	A3 Problem Solving	2	5165-00						
L3	SAQI Certificate in Quality Assurance*	13	29,020-00	Jun	Jul	Aug	Sep	Oct	Nov
B48	ISO Requirements 9001:2015	3	6230-00						
B24	Knowledge Management	2	5165-00					7-8	
B16	Internal Quality Auditing	3	6230-00					9-11	
B92	Advanced Quality Techniques	3	6230-00					21-23	
B77	Advanced Product Quality Planning (APQP)	2	5165-00					24-25	
L4	SAQI Certificate in Quality Management*	3	31,610-00	Jun	Jul	Aug	Sep	Oct	Nov
B38	Development of a QMS	3	6230-00						
B01	Organisational Excellence	2	5165-00						
B58	Policy Deployment (Hoshin Kanri)	2	5165-00						
B74/B76	Lean for Manufacturing/Service Industries	4	9885-00						
B93	Cost of Quality	2	5165-00						

Inhouse Training: vanessa@saqi.co.za • **Public Training:** info@saqi.co.za



For a list of other courses provided, please visit www.saqi.co.za
Inhouse courses provided to 10 or more delegates. Enquire from vanessa@saqi.co.za

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