

Using Insight Auditing® SWOT Analysis to Drive Business Excellence

For many organizations, the process of auditing their quality management system can seem to be a daunting, time-consuming, and an expensive task. Making internal resources available to deal with Certification Body requirements and scheduling time away from business-critical responsibilities can create challenges for any management team. Beyond these issues are the inevitable questions about how to justify the time and expense involved in the context of the larger business objectives of the organization.

For years, organizations and businesses have successfully used analytical tools such as SWOT (strengths, weaknesses, opportunities, and threats) analyses as a basis for the formulation of strategies and objectives, and also to fully investigate and evaluate the merits of specific initiatives. TÜV SÜD America has applied the mechanism of the Insight Auditing® SWOT analysis to the auditing of a wide range of management systems. The result is a robust auditing process that also provides data to drive continuous business improvement.

Insight Auditing® SWOT analysis is an essential part of TÜV SÜD America's reporting and communication of management system auditing data. Provided with the standard report at the conclusion of an audit, the Insight Auditing® SWOT analysis presents in clear, understandable terms the audit findings, and directly connects them with specific areas of business significance and /or risks, as well as follow-up actions that focus future activity in those areas of greatest priority. Over time, use of the Insight Auditing® SWOT not only results in a more effective management system but helps to connect such improvements with the larger goals of the organization.

This white paper discusses TÜV SÜD America's Insight Auditing® SWOT analysis, and its application in the reporting and communication of management system auditing data. The paper begins with a brief review of the SWOT method, and a discussion of how audits that include Insight Auditing® SWOT differ from conventional audits. The white paper then offers a case study on the use of Insight Auditing® SWOT by a major multi-national manufacturing organization, and discusses the results of a four-year-long application of the Insight Auditing® SWOT principles to the auditing process.

What is a SWOT Analysis?

A SWOT analysis is a tool that is typically used in strategic planning to identify and evaluate the various factors that may affect the efforts of an organization or business to be successful. The acronym SWOT stands for four separate aspects of an organization's characteristics or circumstances, as follows:

- Strengths: *Internal* characteristics of the organization or business that give it an advantage over others;
- Weaknesses: *Internal* characteristics of the organization or business that place it at a disadvantage relative to others;
- Opportunities: *External* circumstances that provide an opportunity to improve performance or increase the likelihood of success;
- Threats: *External* circumstances that could hamper success or endanger the organization or business.

Insight Auditing® SWOT

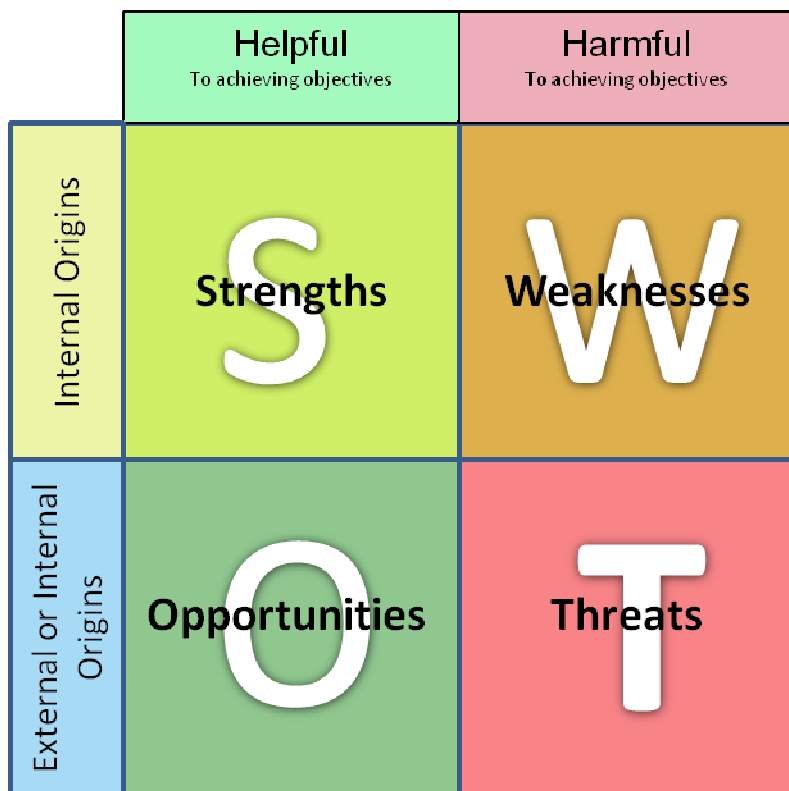


Figure 1: The Structure of a SWOT Analysis

In strategic planning, a SWOT analysis can either be used as a starting point for developing an organization's goals or objectives, or as a mechanism for assessing the likelihood of achieving goals and objectives once they have been drafted. But, in the auditing of a quality management system (QMS) or an environmental management system (EMS), a SWOT analysis can be used to interpret the significance and impact of audit findings on the business as well as a tool to drive continuous improvement.

How Does Insight Auditing® SWOT Analysis Differ From QMS/EHS/GFSI Auditing Reports?

On-site audits assess an organization's compliance with the standard requirements of certification programs. All third-party-accredited registrars are required to comply with the provisions of ISO/IEC 17021 when reporting audit results. However, the similarity between audit reports and TÜV SÜD America Insight Auditing® SWOT reporting ends there.

A typical audit report includes all audit findings, including non-conformities and may identify improvement opportunities. Non-conformities are typically written in standard compliance language, which may impede full comprehension by personnel who work outside of quality or environmental management functions. The audit report is given to the company's "management representative," who is then responsible for addressing and closing out non-conformities. Formal actions in connection with improvement opportunities are seldom addressed.

By comparison, the TÜV SÜD America Standard Audit Report (SAR) is designed to include five different audit findings, as follows:

1. Best Practices
2. Positive Comments
3. Opportunities for Improvement
4. Minor Non-Conformities
5. Major Non-Conformities

Then, TÜV SÜD America also provides clients with an Insight Auditing® SWOT assessment report at the time of closing meeting. This SWOT report supports and enhances the value of the SAR in the following ways:

- The SWOT report is a one-page, high-level summary that translates the audit findings into business focus items (BFIs);
- The report goes beyond a typical audit report to include information that has potential business impact and consequences, including:
 - *Strengths*: Characteristics of the organization's QMS/EMS that give it an advantage over others;
 - *Weaknesses*: Characteristics that place the organization at a competitive disadvantage;
 - *Opportunities*: Areas where performance (e.g. revenues, profits, operation excellence) can be improved;
 - *Threats*: Areas within the QMS/EMS environment that could place the operation at risk.
- The SWOT report is addressed to the client's senior management, and is written in non-technical language to increase comprehension and understanding;

With the additional information provided by the Insight Auditing® SWOT assessment, decision makers have better intelligence regarding the organization's priorities, and can make more informed decisions regarding the allocation of resources required to improve the overall business performance and minimize potential risks.

How Can Multi-Site Global Organizations Use Insight Auditing® SWOT Analysis for Business Improvement?

To support today's global demand for goods and services, manufacturers have established operations around the world to take advantage of production economies and to supply customers as efficiently and as cost-effectively as possible. At the same time, quality-conscious customers require a uniform level of product quality and service, regardless of where a product is actually produced. As such, manufacturers face a significant challenge in achieving and maintaining quality and consistency standards expected by their customers.

The Value Assurance Insight Auditing® SWOT analysis is easily adaptable for use by global companies with multiple locations. Results from multiple locations within the scope of a single registration can be consolidated into a single SWOT report for an organization-wide assessment.

In addition to offering a platform for improvements in an organization's QMS/EMS, Insight Auditing® SWOT reports can be integrated into an organization's overall strategic and business planning effort. Because a SWOT report provides a high-level view of an organization's strengths, weaknesses, opportunities, and threats, it offers a powerful tool to improve not only quality and environmental management systems but to drive organizational excellence across the board.

Insight Auditing® SWOT Analysis Methodology and Results: A Case Study

The following case study serves to illustrate the methodology behind an Insight Auditing® SWOT analysis and the results achieved by a TÜV SÜD America client.

The subject manufacturer provides design, manufacturing, customer support, and management services to companies in a wide range of industry sectors, including aerospace, automotive, consumer products, defense, electronics, industrial, medical, and telecommunications. The manufacturer also provides customers with after-market service offerings, such as warranty services and product repairs. This multi-billion dollar organization operates more than 50 facilities in more than 20 countries around the world, employing more than 80,000 people worldwide.

In this engagement, the manufacturer's representative and the global project manager from TÜV SÜD America discussed the application of an Insight Auditing® SWOT analysis to all sites within scope of its registration, including facilities in North America, Europe, and Asia. The objective of the engagement was to conduct an Insight Auditing® SWOT analysis for each audited site around the globe. Once these individual SWOTs were completed, they were consolidated into a single, corporate-level SWOT, which was then reviewed and discussed at the manufacturer's annual meeting for senior management, as part of its global strategy planning efforts.

Areas of Insight Auditing® SWOT Analysis Focus

The engagement involved auditing and reporting of the following management and functional areas:

- Corporate Governance
 - Top management commitment, engagement, and leadership
 - Global management review, customer-specific focus
 - Customer-specific internal audits, and corrective and preventative action (CAPA) plans
 - Monitoring, measurement, analysis, and review
 - Periodic business reviews, executive business reviews, and quality business reviews
 - Action tracking and closure
- Corporate Strategy and Policy
 - Vision, strategy, planning, and implementation alignment
 - Organization structure and alignment with customer
 - Formulation, deployment, and communication
- Contractual Requirements: Review and compliance
 - Customer contract review and execution—corporate level
 - Customer contract review and execution—site level
 - Conformance to customer contractual requirements
- Conformance to ISO 9001, ISO 14001, and the manufacturer's own QMS/EMS requirements.

Results of the Engagement

Data was collected for four years, from 2008 through 2011. During this engagement period, progress in the four aspects of SWOT (strengths, weaknesses, opportunities, and threats) were tracked for both the manufacturer's QMS (ISO 9001) and its EMS (ISO 14001).

The use of the Insight Auditing® SWOT analysis methodology, combined with TÜV SÜD America's Customer Focus Auditing (CFA) strategy, resulted in significant improvements in all targeted areas. Specifically, the number of major non-compliance issues identified decreased by 90% during the engagement period, from an average of 0.50 findings per audit day in 2008 to just 0.02 findings per day by 2011. There were also significant decreases in the number of minor non-compliance issues identified, from 1.0 findings per audit day in 2008 to 0.40 findings per day in 2011, a 60% reduction.

Equally important, the Insight Auditing® SWOT analysis methodology enabled the manufacturer to track over time key SWOT findings, and to measure progress in expanding on strengths, taking advantage of opportunities, and addressing weaknesses and threats. Table 1 illustrates progress in connection with a sampling of ISO 9001 SWOT findings over four years. Some SWOT findings (e.g., Item #1 under

“Strengths” and Item #1 under “Opportunities”) demonstrate desired results in the initial assessment in 2008, while others (e.g. Item #2 under “Opportunities”) involved the implementation of a plan in 2009 and monitoring for effectiveness until desired results were achieved in 2011. In some cases (e.g., Item #3 under “Strengths”), new findings were added as a result of follow-up SWOT analyses. In other situations (e.g., Item #1 under “Threats”), desired results in connection with initial findings were not fully achieved until the end of the tracking period.

Key to icons used in tables below:



- Desired Results Achieved



- Progress towards planned results



- Progress being monitored for effectiveness



- Undesirable results



- Significant Issue observed or progress not acceptable





















2008	2009	2010	2011
Strengths (Best Practices and Positive Comments)			
1. Core global process standardization			
	2. Best-practice-sharing initiative		
	3. HR: employee training	 HR development strategy	
Opportunities (Opportunities for Improvement)			
1. Consolidation of best practices databases			
	2. Customer-focus: Driver of QMS	 Customer-focus: Driver of QMS (09 & 10)	 Customer-focus: Driver of QMS / CFAs (09 & 10 OFI became 'Strength (PC)' in 2011.
	3. Organization structure: competing interests	 Significant improvement observed in global QA organization.	 Organization structure: competing interests (10 OFI became 'Strength (PC)' in 2011.
Weaknesses (Minor Non-Compliances)			
1. Global CAPA (corrective and preventative actions)	 CAPA: Root-cause analysis (RCA) & effectiveness (08 & 09)	 CAPA: RCA & effectiveness (08 & 09 & 10)	 CAPA: RCA & effectiveness (08, 09, 10 & 11)
2. Global: Failure mode effective analysis (FMEA)/control plans	 Global: FMEA/control plans (08 & 09)	 Global: FMEA/control plans (08 & 09)	
Threats (Non-Conformities)			
1. Inadequate resources to sustain and expand global certification	 Inadequate Resources to sustain and expand global QMS (08 & 09)	 Inadequate resources to sustain and expand global QMS (08 & 09 & 10)	
	2. QMS integrity: NPI & business expansion		

Table 1: Charting Change of Sample SWOT Item, 2008-2011 (ISO 9001)

Table 2 shows a similar charting of progress in ISO 14001 SWOT findings over a comparable time frame.

















2008	2009	2010	2011
Strengths (Best Practices and Positive Comments)			
1. Environmental Metrics Survey-establishing carbon footprint worldwide.			
2. Communications – Employee's awareness of the EMS, objectives and targets.	 Internal Communications – Employee's awareness of the EMS, objectives, and targets.		
	3. Communications between regions.	 Communications between regions.	
Opportunities (Opportunities for Improvement)			
1. Better defining of legal records retention time			
2. Improvements to operational controls at sites to minimize risk	 Improvements to operational controls at sites to minimize risk	 <i>Improvements to operational controls at sites to minimize risk</i>	
Weaknesses (Minor Non-Compliances)			
1. Lack of measurable targets.			
	2. Non-Global Corrective Action System		
Threats (Non Conformities)			
1. Ineffective CAPA			
	2. Lack of subcontractor controls.		

Table 2: Charting Change of Sample SWOT Item, 2008-2011 (ISO 14001)

In addition to a significant reduction in major and minor non-compliant findings, the manufacturer also achieved a number of important strategic accomplishments, as follows:

- A clear and significant shift in senior management engagement, from simple “commitment” to actual “active engagement;”
- A complete restructuring of the manufacturer’s global quality organization, with a new global QA organization now in place;
- Development and implementation of new processes to enhance customer satisfaction and build customer loyalty; results to date demonstrate clear improvement in these areas;
- Improved operational excellence, with meaningful hard and soft cost savings validated by corporate accounting;
- Major process improvements in customer contract review at both local and corporate levels, CAPA system, internal audits, and customer feedback;
- An overhaul of both local and global internal audits process, with effectiveness verified by third-party audits;
- Implementation of global CAPA system, with global deployment now in place;
- Enhancement of the organization’s internal QMS and EMS processes, with significant improvements already observed, and further activity ongoing.

Other Findings

These improvements clearly demonstrate the effectiveness of an Insight Auditing® SWOT analysis in the reporting of QMS/EMS results. In addition to improving QMS system audit reporting and the effectiveness of communications around audit results, the use of an Insight Auditing® SWOT significantly improved overall quality and compliance with audit standards, as reflected in the reduced number of non-compliance issues identified. More than just a mechanism for reporting and communication of audit results, Insight Auditing® SWOT can actually help drive sustainable improvements in business processes and systems, contributing to overall customer satisfaction and confidence in an organization’s ability to meet customer requirements

The successful implementation and use of an Insight Auditing® SWOT analysis requires the involvement or participation from multiple levels of the organization, from senior management and business development to manufacturing personnel and other internal support professionals. Clearly, excellent leadership, communication, and time-management skills are essential. However, this multi-level approach helps to foster greater communication throughout the organization, an improved understanding and appreciation of the importance of the Insight Auditing® SWOT process, and a greater overall commitment to achieving the goals of the organization and its customers.

Conclusion

While results will vary from organization to organization, the use of an Insight Auditing® SWOT analysis can strengthen an organization’s quality and environment management systems, and provide important data and support for an organization’s overall strategic planning effort. These benefits may include both process improvements as well as the achievement of a company’s financial and business goals and objectives. In the never-ending effort to win and enhance customer satisfaction and loyalty, the adoption of an Insight Auditing® SWOT strategy can provide organizations with an important competitive advantage.

TÜV SÜD America is an internationally recognized testing, inspection, and certification organization, with more than 1,000 experts operating in the United States, Canada, Mexico, and 30 additional countries around the world. This extensive network makes TÜV SÜD America an effective single source for organizations seeking expertise in the certification and auditing of management systems of all types. For additional information on CFAs or other certification and auditing solutions, contact Gurdeep S. Mahal at gmahal@tuvam.com.