
The Operational Store Auditor as Cultural Influencer

The operational store audit is fast moving away from its traditional origins, assuming a new role in shaping organizational culture. In this new avatar, the auditor takes on a more educational role with employees as the champion of corporate culture. This new capacity has implications for structuring, recruiting, training and managing the audit team as the operational store audit is used to build a strong profit protection culture.

Change Leadership: The Auditor's New Role

The focus of the traditional operational store audit was an extension of the internal audit, focusing on operational effectiveness, documentation of internal controls, compliance with health and safety regulations, and labor relations. Employees tended to view the traditional audit with suspicion. The auditor operated in the role of cop, coming into the store to determine where compliance with policies and procedures was lacking, and then, reporting any findings back to executives at "Corporate." From the employees' point of view, the result was bound to be negative – reprimands and punishment (perhaps even firings) might result.

This internal policing approach is quickly giving way to a new breed of consultative auditing, making the auditing process more constructive and useful to the organization. First, auditors study historical data, examining factors such as shrinkage, refund rates, safety records and employee turnover. The data is compared to averages across regions and the corporate averages. Supporting this process with technology enables audit best practices. An auditor can determine if a given store is in compliance with specific rules, but only the efficient collection and analysis of quantities of data can reveal whether a store's accident rate is too high, compared to other business units in the organization. This ability to compare, contrast and monitor trends over time yields information that is invaluable to improving operational efficiency and profitability.

The results of the audit, reviewed by an auditor familiar with store operations, provide feedback to store management and employees, and are used to devise an action plan to create the desired changes. This places the auditor in the role of change leader, as opposed to cop.

Creating the Right Conditions Starts at the Top

The paradigm shift from auditor-as-cop to auditor-as-cultural-influencer can happen only when there is a conscious and careful creation of the conditions necessary to facilitate the change. And it starts at the top. Senior management sets the overall tone for the operational store audit program. From the scoring model and scope of the audits to the department structure and recruiting strategies, each element of the program must work in unison to reinforce a consultative approach. When one aspect of the program deviates, it sends a negative message to the field and damages the credibility of the initiative.

When management truly supports this approach:

- Store audit initiatives are branded as assessments, consultations or reviews to escape the negative connotations associated with the word "audit."
- Questions and scoring models are determined in collaboration with other business units and functional areas.
- Average audit time allocated to each audit increases to reflect the time coaching store personnel.

- Automated action-item tracking and historical audit scores are made available to store management to enable the continuous monitoring of performance.
- Auditors are recruited from store operations so their know-how transcends financial controls.
- Training curriculum is weighted more heavily towards business and scenario analysis, as opposed to simply uncovering violations or citing errors in internal controls.

Technology That Drives Change

Technology is the enabler of this change. Auditors need technology to examine the historical performance data. Being able to compare an individual site's performance with other sites, regions and the corporation as a whole provides a context that informs the entire audit process.

The traditional audit collection method is a stack of paper. The transfer of this hand-collected data into a database may result in a substantial time lag between the audit and findings that slows down the process, and results in a missed opportunity to implement timely corrective action. Utilizing electronic data collection speeds up the process, and enables the auditor to quickly review results with store managers and key stakeholders.

There are several ways in which technology can help in compiling data from store audits and supporting a more consultative approach:

- Using a handheld computer, Tablet PC or laptop, the auditor can enter data into the data collection system quickly and get results in real-time. Handheld technology offers mobility and flexibility for conducting audits and providing hands-on instruction on-site.
- Laptops are best for semi-stationary audits that require significant data entry and analysis. They also equip auditors with the ability to access more in-depth information during the consultation – from training modules to information resources.
- Web entry is ideal for self-assessments, enabling store managers to continuously monitor their performance compared to the rest of the organization – a critical element in driving continuous improvement.

Building the Right Team

If auditors are to facilitate change, they must have a stake in the outcome. When auditors' (as well as store managers') performance evaluations and incentives are tied to successful implementation of performance improvement plans, positive change is likely to be more rapid and more successful.

Recruiting of auditors also is key in making the shift to cultural influencer. The auditor must understand the breadth, depth and context of the audit, and must be competent in understanding the organization's culture, policies and processes. It is highly desirable to have an auditor who understands store operations from experience rather than theory, as this leads to an intuitive grasp of culture, and of how and where things can go wrong. Recruiting auditors from within store operations, human resources or loss prevention (LP) will obtain candidates who have real insight into day-to-day operations.

Ongoing training for both audit and store staff helps to create and maintain a collaborative versus an adversarial audit environment. Auditors should receive individual professional development, and train in groups during regional or district meetings to maintain unity of purpose and practice. All stores should undertake "audit school" to train for internal controls and processes, and create understanding of how the operational audit can be a collaborative process with a positive outcome for the store and its employees. Consider instituting a mentor program for store managers, allowing them to travel with the audit team to gain a better understanding of the process and how auditors work. The knowledge gained by this hands-on experience gives managers a fresh perspective on their own store operations.

The ultimate goal of the operational store audit is shifting responsibility for internal controls away from the audit group and on to the store managers. Consequently, more frequent use of control self-assessments (CSA) becomes the primary force in assessing and enforcing operational controls. The operational audit becomes less frequent as performance data demonstrates that internal controls are in compliance.

Auditing Key to Developing Schwan's Safety Culture

The Schwan Food Company, headquartered in Marshall, Minnesota, is one of the largest, branded frozen food companies in the United States. With hundreds of depots across the country, the company maintains an enormous fleet of trucks to deliver food to grocery stores and homes. About five years ago, Schwan embarked on a safety-awareness program with the aid of Creative Options. The safety-awareness program was aimed at reducing losses from insurance claims and workers' compensation.

The program, which used awareness training, quiz cards, posters and other techniques to make employees more conscious of safety and accident avoidance, was highly successful, and Schwan decided to use Creative Options' auditing software, COMPAS™, to monitor fleet maintenance. COMPAS™ allows auditors to use handheld devices, laptops or desktop computers to enter audit findings and upload them for processing and analysis. The system provides results in real-time so that auditors can quickly get results back to managers on-site (as well as to corporate management).

According to Doug Klein, Schwan's Director of Safety, "[COMPAS™] provides us a platform to audit our procedures and identify any deficiencies. We can do things a lot faster now, and we get a lot more information than before." For instance, Klein says that Schwan found drivers were not always making pre- and post-trip inspections and reporting equipment issues to their supervisors. This led to more frequent breakdowns than should be expected. Schwan, with the help of Creative Options, started an awareness program to increase employee understanding of the value of pre- and post-trip inspections.

Schwan also identified an overall issue with maintenance that resulted in taking vehicle maintenance away from a third-party vendor and bringing it in-house, where it could be better monitored and procedures more easily enforced.

Klein says that over the past five years the company has instituted many different programs to support the company's safety record, and these initiatives, combined with the COMPAS™ software and Creative Options' awareness programs, have resulted in a direct savings of between \$8 and \$12 million. (And even more with indirect savings, which are more difficult to quantify.)

"In the old days, the auditor just left a handwritten note with the managers. There was no way to track compliance. Now the managers are using the audit software themselves as a management tool," Klein reports. "It gives them a way to monitor things on a continual basis, and it gives them information at their fingertips they never had before. From the depot level right on up to corporate, everyone sees this as adding enormous value."

Brookstone's New Approach to Loss Prevention Audits

Brookstone, Inc., a specialty retailer with 300 stores nationwide and in Puerto Rico, uses COMPAS™ software from Creative Options to mobilize and automate the in-store audit process. Brookstone's LP managers use phones, PDAs, laptops or the Web to collect and report data. The COMPAS™ system instantly collates and analyzes the data and reports back in real-time. As a result, audits are flexible and customizable, and audit reports have become more valuable in improving store operations. According to *Integrated Solutions for Retailers*, "This has led to a more consultative approach to auditing, as opposed to the punitive reputation that sometimes existed with past auditing practices. All trends are researched to identify a process or training

solution, then the solution is deployed. This facilitates open communication between DC [distribution center] management and corporate management.”¹

Conclusion

The old paradigm of the auditor as corporate cop is coming to an end, replaced by something much more valuable. When audit data can be analyzed and compared to historical data and data from other sites and regions, the results frequently provide information that cannot be determined from single-site data. Now the auditor becomes an agent of positive change within the organization. Of course, this kind of analysis only can be done by using technology to support the audit process, because the quantities of data required to provide meaningful results require computing power.

Moving towards this new role for the store audit function requires certain conditions that must be championed by the senior management team, namely: establishing a structure that fosters collaboration and recruiting people who understand the business’ operations, and how to create a team environment with the audit process. Ultimately, once these key elements are in place, providing on-site managers with the technology to facilitate self-assessments will yield the most valuable results, as managers begin to view the audit process as an effective tool to reduce loss and improve profitability.

About Protiviti

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About Creative Options

Creative Options (www.creativeop.com), a Protiviti company, is a world-class specialty communications firm. We have built our reputation on designing communication tools that measurably reduce loss. From employee awareness to mobile audits, we are widely recognized for bringing innovative communication solutions to retail.

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¹*Integrated Solutions for Retailers*, “Automated Audit Tools Increase Speed, Efficiency,” by Pasquerell, L., June 2006, http://www.ismretail.com/index.php?option=com_jambozine&layout=article&view=page&aid=6762&Itemid=56 .