

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.0 Introduction

The final chapter presents the conclusion by synthesizing the previous chapters (chapter 1 to 4), bringing out their major aspects and how they have helped to achieve the stated objectives of the study. The major findings of the research are then discussed, together with the contribution to knowledge gained from the research. Limitation of the study and some recommendation and direction for future research are briefly discussed in this chapter.

5.1 Major Findings

Based on the research finding, all four hypotheses of this study have significant relationship with company operational performance. Analysis on H1 shows a strong relationship between number of resources and the effective of internal audit of 5S Quality at significant level of 0.000. The finding on H1 indicates that the number of resources in auditing is very crucial and important. It was in line with study done by Karapetrovic and Willborn (1998) stated that the system approach under ISO 9000 series an audit is viewed as a set of interdependence processes or activities that using human, material, infrastructural, financial, information and technical resource to achieve objectives related to continuous improvement of organizational performance. Therefore, the companies should proper plans, manages and allocates their resources such as adequate number of auditor, time, financial as well as employees commitment before performing the audit.

The result on H2 shows that auditor competencies possessed positive relationship with the effective of internal audit of 5S Quality at significant level of 0.007. The findings explains the internal audit of 5S Quality can be effectively carried out, if the auditors are fully equips with certain ability such as applying knowledge, communication skills, giving recommendations and others related abilities. It has supported by previous research by Brody *et al.*, (1998) and Mat Zain *et al.*, (2006) stated skilled auditors are more able to provide advice in order to complete audits, to find consistent solutions based on previous experiences and to deal with complex and conflicting situations. The auditors' competencies can also increase the effectiveness of the audit team by improving the recognition of their role within the organization. Thus, no doubt that auditor's competency is important and can contribute to the effective of internal audit of 5S Quality.

Analysis on H3 shows that quality audit report has strong influence in the effective of internal audit of 5S Quality significant level of 0.001. The finding shows that audit report is an output of internal audit of quality and becomes evidence to presents to management for further action. It was clearly mentioned by Mort Dittenhofer, (2001) stated that the audit reporting is probably one of the most sensitive part. If the results of the audit are not clearly transmitted to management, the audit effort is of little value. Internal auditors are normally told to employ standards guideline in their reporting such as clarity, brevity, timeliness, completeness, freedom from jargon and use in positive language. The purpose of guidelines is to reduce the gap between auditor audit findings and auditee point of view. Therefore, with quality and standard audit report, auditor can express their opinion more objective and precisely.

For H4, the result shows that the effective of internal audit of 5S Quality possessed strong relationship with company operational performance at significant level of 0.005. The finding shows that the effective of internal audit of 5S Quality can bring positive impact or outcomes to the companies. It was inline with previous research by Milena et. al (2010), expectations of companies relating to the results of the internal audit of quality may differ between companies and also over time within the same company: from simple formal conformance to the requirements of the standard to audits that help companies actually achieve effective and efficient performance. The identified positive outcome of the QMS will be used as a foundation for assessing the internal audit of quality's contribution to achieve business goals and at the same time improve company efficiency. Thus, internal audit of 5S Quality has influence in company operational performance such as increase productivity and quality, reduce cost, improve delivery, safety and morale as well as creates productive and systematic workplace.

In conclusion, the company operational performance should become the aims of company while performing activities such as internal audit of quality. With the clear direction, company will enjoy the outcomes and perhaps can inculcate the system as company culture. Besides, company perhaps can translate and integrate it into financial performance as well.

5.3 Contribution to Knowledge

This study becomes another study on internal audit of quality in relationship with company performance in Malaysia due to limitation on such topic. There are not many research papers that discuss on internal audit of 5S Quality and their influence towards company performance. In fact, the area of Quality Environment (5S), this research can

consider as pioneer study. The purpose of this study is to measure the factors influencing internal audit of Quality Environment (5S) effectiveness in relation to company operational performance.

This study provides an understanding on how resource allocation in auditing, auditor competencies and audit reports contribute to the effectiveness of internal audit of 5S Quality and how these factors influence company operational performance. More, this study also helps to determine and evaluate whether elements of performance have direct or indirect impacts on company objectives.

Since this study can be considered a pioneer in the area of Quality Environment (5S), perhaps the findings can be used as evidence in promoting 5S Practices and 5S Certification to a broad target industry in Malaysia. It also can be one of the references for consultants while conducting their programs such as training as well as giving advisory services to the companies.

This study is hoped to give knowledge for companies, internal auditors of quality as well as the top management so that they get a better understanding on the requirements of internal audit of 5S Quality in 5S Certification. In broad view, it also can provide direction for the company towards other quality initiatives in the future.

5.4 Limitations of Current Study

This study is subject to several limitations and constraints that provide direction for future research. First, this research was to be completed in 3 months and as such may not be comprehensive enough to reflect actual situations. Second, this study used a sample size of

196 respondents, however total number of respondents that returned the questionnaires was moderates than the required sample size which is 42.3%. Third, the study was concerns about three factors that can influence internal audit of 5S Quality and focused on Malaysia private company that had received 5S Certification from MPC. Other than that, many company has different opinion on internal audit of 5S Quality and it relation towards company operational performance. It was due to the different of business environment, culture and perception towards internal audit of 5S Quality. Thus, the results do not be generalized to other industry such as public sector.

5.5 Recommendations

Based on the findings, the company operational performance is an outcome of internal audit of 5S Quality effectiveness. Company should be guided so that they can look internal audit of 5S Quality as value added activities and at the same time the company knows how to link those activities into company performance. Herewith, there are some suggestions to strengthen internal audit of 5S Quality in relation to company operational performance.

5.5.1 Formulation of 5S Internal Audit Quality Manual Procedure

In order to achieve company benefit from internal audit of 5S Quality activities, company should have their Quality Manual procedure on that. Mort Dittenhofer (2001) stated, the achievement of internal auditing process is when it performs to accomplish task as describe in the internal audit objectives. It may be a simple evaluation such as, “has the internal audit process is effectively complying with

policies, procedures, laws regulations, etc. Therefore, a set of procedure should be developed and highlight certain criteria such as:

- i. number of audit planned a year
- ii. adherence to audit and budget and audit plan
- iii. target amount of saving or improvement– actual vs potential
- iv. number of audit finding – reported vs implemented
- v. quality of audit finding and recommendations

With this kind of Quality Manual procedure, it can prepare company to focus and always relates to company operational performance. Also, in order to make the above procedure followed by companies, MPC can take charge to enforce it through 5S Audit Certification whether it compliance or surveillance audit.

5.5.2 Intensive Training Module for Certified 5S Internal Auditor

MPC as 5S Certification Body should come out with intensive package such as Training Module for 5S internal auditor, so that they equip with certain level of knowledge and able to conduct audit objectively. These are also has clearly mentioned in the ISO 19011 standard, which presents guidelines for quality and/or environmental management systems auditing, includes necessities for “qualification of auditors,” and focuses on an “audit team” (Dereli et al., 2005). Thus, MPC perhaps could introduce “5 Days Intensive Package for 5S Internal Auditor”. The package should include theory and practical approach so that the participant able to conduct internal audit properly. They also can be tested via examination at the end of the program to evaluate the level of knowledge and capabilities in implementing audit at their companies.

5.5.3 Develop Guideline of Audit Report

Audit report is an output of audit session. According to Mort Dittenhofer (2001) he explains that internal auditor should employ guideline in their reporting such as clarity, brevity, timeliness, completeness, freedom from jargon and use in positive language in order to provide useful audit findings (report) and recommendations. Therefore, MPC should develop audit reporting guideline or benchmark other than establishing the guideline for IAQ report. The guideline should highlight format of writing audit report, duration as well as the clarity of reports. The guideline can assist internal auditor in company produces right audit report at right time.

5.5.4 Develop Audit Follow-up Procedure

To measure internal audit of quality as a whole, one should evaluate not only the audit process but also the outcomes or extending from the planning and execution to the audit reporting and follow-up (Karapetrovic and Willborn, 2000). According to Audit Committee Handbook (section 4.3), good practice guidance should put more emphasis on the importance of follow up actions to ensure that the agreed actions by management address control weaknesses identified by the work of internal or external audit are actually implemented. As part of the annual planning process, time is set aside by internal audit to undertake a review of the follow up process for all audit reports. Internal auditor has an access to the system and periodically reviews the operation of the audit follow-up mechanism. For

example, internal audit will review the accuracy of the responses submitted to the Audit Follow Up Team to ensure that the information being submitted is accurate.

5.6 Future Research

The results from the research show a favorable depiction in certain matters as the respondents may have endeavored to portray the profession, favourably. For future research, do send a large-scale of self-administered questionnaires and conduct interviews with the respondents to avoid any potential bias. Based on evidence of the research, there are several avenues for future research as listed below:

- i. For the future research, responses from 5S Steering Committee that relate to their perceptions on factors influencing internal audit of 5S Quality towards company operational performance also should be considered to validate the findings of the present research.
- ii. Future research also could explore the feasibility of conducting similar research on the other segment of industry such as public sector and GLC.
- iii. Future research could compare the operational performance achieved between private sector and public sector and relates it to productivity indicator at national level.