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**TRANSFORMING...**  
**OURSELVES.**  
**OUR WORKPLACE.**  
**OUR PROFESSION.**



# HOW TO DEVELOP BUSINESS ACUMEN – TOP INTERNAL AUDIT PRIORITY

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# AGENDA

## Topic

What is Business Acumen?

Why is Business Acumen Important?

How to Increase Business Acumen Skills in Internal Audit?

How to Develop Business Acumen Skills for Internal Auditors?

# OBJECTIVES

By the end of this course, you will be able to:

- Define Business Acumen
- Advocate for the Importance of Business Acumen
- Develop Strategies to Improve Business Acumen
- Develop Action Plans to Improve Business Acumen
- Market, Communicate, and Demonstrate Internal Audit's Improvement in Business Acumen

# SEARCH OF BUSINESS ACUMEN – MY JOURNEY



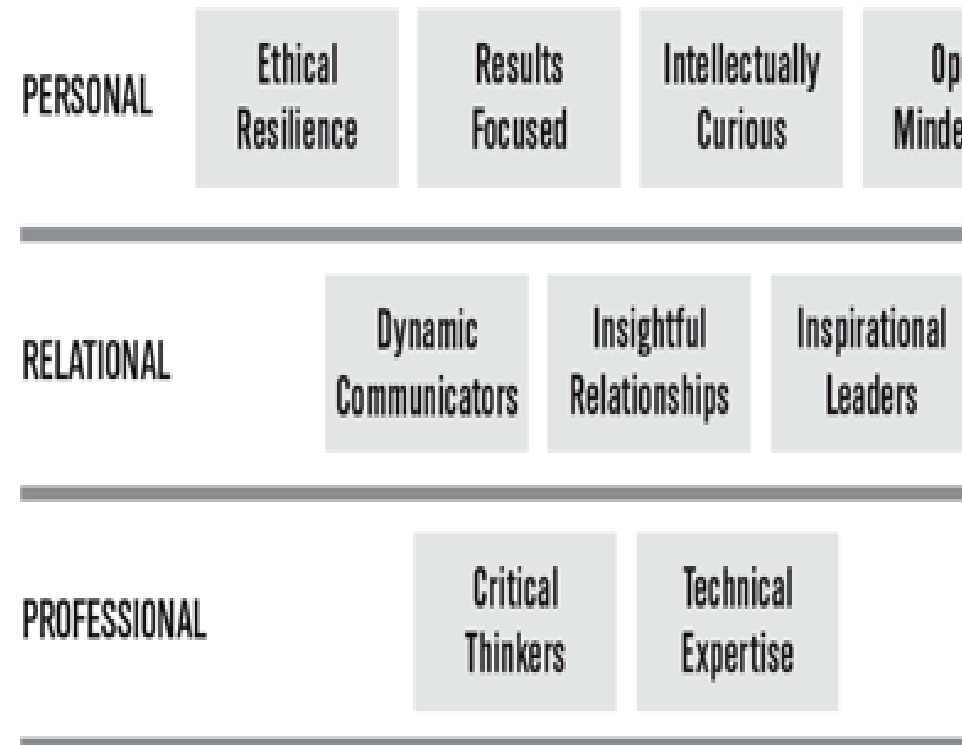
# COMPETENCIES FOR INTERNAL AUDITORS AND TRUSTED ADVISORS

**Bit 1** The IIA Global Internal Audit Competency Framework (Structure Overview)



Source: The Institute of Internal Auditors, 2013. Used by permission. For more information, visit <https://global.theiia.org/about/about-internal-auditing/competency-framework.aspx>. IPPF refers to The IIA's International Professional Practices Framework.

## ATTRIBUTES OF OUTSTANDING TRUSTED ADVISORS



# BUSINESS ACUMEN – DEFINITION\*

According to The IIA Global Internal Audit Competency Framework:

- Maintains knowledge of the organization and its risks
- Maintains industry specific knowledge appropriate to the audit engagements
- Maintains industry specific knowledge appropriate to the organization
- Assesses and takes account of basic macroeconomic and microeconomic factors a audit engagements
- Assesses and takes account of macroeconomic and microeconomic factors and the impact on the organization
- Maintains a current understanding of the latest global developments, regulatory and legal requirements and the relevance to the audit engagements
- Maintains a current understanding of the latest global developments and regulatory and legal framework within which the organization operates



<https://na.theiia.org/about-us/Public%20Documents/The%20IIA%20Global%20Internal%20Audit%20Competency%20Framework.pdf>

## BUSINESS ACUMEN – DEFINITION (CONT'D)

Maintains knowledge of the technical aspects of financial, managerial and cost accounting concepts, standards, systems and reporting processes appropriate to the audit engagements

Assesses and takes account of the technical aspects of financial, managerial and cost accounting concepts, standards, systems and reporting processes appropriate to the organization

Assesses and takes account of how IT contributes to organizational objectives, risks associated with IT, and relevance to the audit engagements

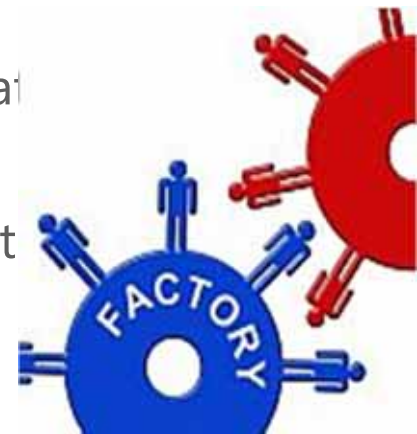
Demonstrates sound working knowledge of the quality control frameworks relevant to the audit engagements

Evaluates the quality control frameworks operated by the organization

Takes account of cultural aspects of the organization

Takes account of the mission, strategic objectives and business nature of the organization

**THINK AND ACT LIKE A BUSINESS OWNER!**





## BUSINESS ACUMEN – CHARACTERISTICS \*

An individual who possesses business acumen views the business with an "executive mentality." They understand how the moving parts of a company work together to make it successful and how financial metrics like profit margin, cash flow, and stock price reflect how well each of those moving parts is doing its job." Accordingly, an individual with the following five abilities could be described as someone having a strong sense of business acumen:

1. See the "big picture" of the organization—how the key drivers of the business relate to each other, work together to produce profitable growth, and relate to the job

2. Understand important company communications and data, including financial statements

3. Use knowledge to make good decisions

4. Understand how actions and decisions impact key company measures and leadership objectives

5. Effectively communicate ideas to other employees, managers, executives, and the public

Adapted from "Seeing the Big Picture, "Business Acumen to Build Your Credibility, Career, and Company," Kevin R. Cope, 2012, Kevin R. Cope

## BUSINESS ACUMEN – DEFINITION \*

Business acumen is a deep and applicable understanding of the system of how a business achieves its goals and objectives. It includes a thorough understanding of the levers that create and position the value proposition to customers and it drives profitability, cash flow, and shareholder value. Specifically, the definition is an understanding and awareness of how to think about and successfully make the right business decisions.

Two primary areas:

- Industry knowledge skills

- Strategic thinking skills

Three primary characteristics:

- A General Manager mindset

- Financial acumen

- Ability to lead and support strategic execution

# BUSINESS ACUMEN – DEFINITION & KNOWLEDGE AREAS

When we are talking about business acumen today," Larry Harrington, vice president, Internal Audit at PricewaterhouseCoopers, says, "we are talking about things like being able to help organizations deal with speed of change, making sound judgment, a quick mind, a sense of the business's vision and strategy, and having the ability to select the right course of action in uncertain times."

Three main knowledge areas:

- A firm grasp of their organization's strategy and goals

- Understand the trends facing their industries

- Get up to speed with how technology is transforming everything from homes to production lines and from global communications to personal relationships

These tools will help the audit team build relationships, interdependencies, and networking opportunities within the business," he says. "We need to help with the transformation of our businesses and drive positive change — and for that we need to have deep understanding and connections throughout our organization."

Source: "The Importance of Business Acumen for Knowledge," Arthur Piper, November 8, 2017, [iaonline.theiia.org](http://iaonline.theiia.org)

## BUSINESS ACUMEN – TRAITS\*

An acute perception of the dimensions of business issues

Ability to make sense out of complexity and an uncertain future

Cognizance of the implications of a choice for all the affected parties

Decisive

Flexibility for further change if warranted in the future

Donald R. Reilly of the Ross School of Business at the University of Michigan and Gregory P. Reilly of the University of Connecticut.

## BUSINESS ACUMEN – TRAITS\*

Natural Inquisitiveness

Persuasiveness

Change-Management Proficiency

Service Orientation

Ability to Recognize and Respond to Diverse Thinking Styles, Learning Styles, and Cultural Qualities

A Global Mind-Set.

IA/Robert Half report, "Succeeding as a 21st Century Auditor: 7 Attributes of Highly Effective Internal Auditors"

## MEET THE THIRD ANSWER

A globally recognized leadership development expert asked, "What do you look for in high-potential employees?" The top two answers were:

"We look for people who are smart and hard working and committed and trustworthy and resilient." Personal greatness.

"We look for employees who are great with our customers, who empower their teams, who negotiate effectively, who are able to manage conflict well, and are overall great communicators." Engaging the greatness in others. What is the third answer?

People who understand your business, where it's going, and their role in taking it there. People who are able to scan the external environment, identify risks and opportunities, make strategy or make strategic recommendations. People who are able to look at the financials of your business, understand the story that the financials tell, and either take appropriate action or make appropriate recommendations?"

# WHY IS BUSINESS ACUMEN IMPORTANT?



Foundation for Trust, Credibility and Reliability  
Core Competency for Internal Auditors  
Top Skill Stakeholders Want  
Top Skill CAEs Want  
Key to Making Sound Recommendations  
Key to Auditing What Really Matters  
Key to Addressing New Frontiers



## FINE DESIRED BUSINESS ACUMEN FOR INTERNAL AUDIT

Conduct research and prepare a discussion draft

Obtain input from pertinent groups (e.g., internal audit team, HR Leadership Development Team, Strategic Planning Team, Financial Planning Team, operating management, senior management, and the board)

Probe the groups for good examples of business acumen within internal audit function or the company

Update the discussion draft

Finalize definition

Present definition for group review

Publish the definition



## ASSESS CURRENT STATE OF BUSINESS ACUMEN – FILL THE GAPS

Conduct an inventory of business acumen skills for the internal audit team as a whole, using tools available from HR:

Compare the actual against the desired levels of the knowledge, skills, expertise, characteristics, and traits

Identify staff with a high level of business acumen and exploit the strengths

Review audit plan to identify potential pilot audits to apply business acumen skills

Develop action plans to conduct pilots

Prepare development plans for audit staff and update periodically

# HOW TO INCREASE BUSINESS ACUMEN SKILLS?

External	Internal
Sourcing	Hire
Sourcing	Train, Develop, Grow
	Borrow from First Line
	Leverage Second Line
	Barter with First and Second Lines
	Rotate Business Staff In
	Rotate Internal Auditors Out to Business Units
	Host Guest Auditors from Business Units
	Assign Auditors to Work In Business Units

## The Three Lines of Defense Model



Adapted from ECIIA/IFERMA Guidance on the 8th EU Company Law Directive, article 41



## DEVELOP BUSINESS ACUMEN – DO

Review company goals, objectives and strategies to identify best candidates to demonstrate business acumen skills

Get hands-on audit experience

Participate in new audits (e.g., Culture Audit, Combined Assurance, Strategic Planning, M&A activities, AI Implementation)

Conduct special projects to improve operational effectiveness and efficiency

Rotate to other business units/functions

Spend time in the trenches

Be alert to opportunities at all times!



## DEVELOP BUSINESS ACUMEN – A SEAT AT THE TABLE

Participate in committees, task forces, work groups, project teams, advisory boards, leadership development and training teams; seek management support if needed

Learn about status of key objectives, projects, initiatives

Contribute to the discussion, provide risk management, governance and control perspectives

Identify value-added projects for internal audit

Observe group dynamics

Observe how decisions are made and the decision-making process

Participate in change management initiatives and enterprise-wide initiatives, represent internal audit as part of the company and as an advisor

Seize opportunities to contribute to any groups or meeting where internal audit is present



# DEVELOP BUSINESS ACUMEN – READ

Industry news

Competitor news

Company – internal and external communication

Leadership speeches

Global development

Regulatory updates

Culture for global operations

Readings on other companies, industries, and prof

Professional journals



# DEVELOP BUSINESS ACUMEN – LESSONS LEARNED



# DEVELOP BUSINESS ACUMEN – LEADERSHIP DEVELOPMENT

Participate in leadership development program

Participate at earning calls

Build relationships to enlist trusted advisors and serve as trusted advisor to other leaders

Host governance, risk management and control conferences for business units

Attend and present at All Employee and Functional Town Hall Meeting

Develop constructive partnerships with business leaders to leverage, share and cross-train staff

Build internal and external networks

Connect with and learn from other companies, industries, and professions

Serve on professional organization boards

Serve as instructors and presenters

Serve as Subject Matter Experts on governance, risk management, and controls



## DEVELOP BUSINESS ACUMEN – TRAINING

Attend in-house courses developed for functional staff (Engineering/Manufacturing/Finance/Supply Chain Colleges) outside the internal audit discipline

Attend industry-specific courses, webinars

Tie training to assignments to teaching

Get on-the-job training

Host business simulation exercises

Conduct case studies

Share knowledge, insights, book reports at brown-bag sessions

Get certified and meet CPE requirements





# MAKE THE EFFORT VISIBLE!

Think big and long term

Seek win-win for the organization

Develop an integrated strategy for training, assigning projects and sharing results

Connect the dots and partner with management

Be deliberate in communicating initiative and results

Engage functional leaders in development programs

Engage functional leaders at staff meetings to discuss projects

Present at other functional new employee orientation programs

Report progress in Newsletters

Celebrate wins!



# KEY TAKEAWAYS

Business acumen is critical to the success of internal audit now, and even more in the future

The CAEs and internal audit stakeholders ranked business acumen as a top Most-Wanted skill for auditors

Business acumen is critical for working in all the functions, not just internal audit

The definition varies among organizations, the CAE should work with key stakeholders to define what it means for the organization and internal audit, identify the gap, and develop plans to close the gap

There are many cost-effective approaches to strengthen business acumen, relationship with management matters

It is imperative that the CAE partners with management to implement a win-win, integrated resource planning and skill development strategy

Internal audit needs to be strategic in identifying pilots to test the concepts

Investing in business acumen development would provide the best return for internal audit and the organization

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# QUESTIONS AND ANSWERS?

END OF PRESENTATION





# THANK YOU FOR YOUR TIME AND ATTENTION!

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