

Invest in Yourself

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Global Chairman of the Board
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Houston, Texas
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Why Internal Audit Is Important

“The next great frontier for boards is unknown risk. We have to understand risks as well as we do strategy.” (1)

Audit Committee Chair

(1) Tapestry Networks -- *VantagePoints*, Issue 3, January 2015



Seeing Around The Corner

Falling oil prices: Who are the winners and losers?

By Tim Bowler **19 Jan 2015**

Iran Deal Raises Prospect of Fresh Oil Glut

By Bill Spindle **14 Jul 2015**

UK oil industry 'to face wave of company failures'

By Alan Tovey **26 Nov 2015**

Oil Plunge Raises Fears of Societal Unrest

By Elizabeth MacDonald **30 Nov 2015**



How Cheap Oil Raises Political Risks In Saudi Arabia

By Tom DiChristopher **7 Dec 2015**

Wall St. Hemorrhages As Oil tumbles

By Noel Randewich **15 Jan 2016**

We Need to Think in Terms of Ripple Effects for Our Organizations



Ripple Effects (an Example)

“We didn’t realize until recently how much our economy and society relied on hydrologic stability.”

Bob Sandford, Chair
Canadian Partnership Initiative

World has not woken up to water crisis caused by climate change: IPCC head

By Nita Bhalla 3 Feb 2015



Potential impacts:

- Agricultural Shortages
- Energy Issues
- Population Movements
- Human Conflict



Global Risks 2016

Top 10 risks in terms of Likelihood

- 1 Large-scale involuntary migration
- 2 Extreme weather events
- 3 Failure of climate-change mitigation and adaptation
- 4 Interstate conflict
- 5 Natural catastrophes
- 6 Failure of national governance
- 7 Unemployment or underemployment
- 8 Data fraud or theft
- 9 Water crises
- 10 Illicit trade

Top 10 risks in terms of Impact

- 1 Failure of climate-change mitigation and adaptation
- 2 Weapons of mass destruction
- 3 Water crises
- 4 Large-scale involuntary migration
- 5 Energy price shock
- 6 Biodiversity loss and ecosystem collapse
- 7 Fiscal crises
- 8 Spread of infectious diseases
- 9 Asset bubble
- 10 Profound social instability

Categories

- Economic
- Environmental
- Geopolitical
- Societal
- Technological

Source: Global Risks Perception Survey 2015.

The Velocity of Risks is Different as Well



Opportunities

- **Digital future**

- Technology is disrupting all areas of enterprise, driving opportunities and challenges

- **Entrepreneurship rising**

- Entrepreneurship is growing, driving the need for supportive ecosystems

- **Global marketplace**

- Economic power continues to shift east and south, driving new trade/investment

- **Urban world**

- Effective infrastructure investment/sound planning will make future cities competitive and resilient

- **Resourceful planet**

- Growing demand and shifting supply are driving innovation in the energy/resources space

- **Health reimaged**

- Technology/demographics converging to drive a once-in-a-lifetime transformation



What This Means For Leaders

- Leaders must monitor long- and short-term global risks and assess impact on organizational strategies.
- Leaders must measure how fast to change by monitoring both internal and external factors.
 - What are current and future competitors doing?
 - How much team development needs to occur?
 - How much communication should be taking place?
- If leaders move too slowly, they lead their teams into failure, into non-competitiveness.
- Knowing how to drive and manage change is key to remaining competitive and relevant in a shifting environment.

Internal Audit Can be a Valuable Ally to Leadership

Extracted from -- *"Too Fast, Too Slow: The Challenge of Keeping Pace in Managing Change"* by Dr. Ricardo Azziz



The Internal Audit Challenge

- Which risks (aside from financial reporting) pose the greatest challenge for your organization? ⁽¹⁾
- How satisfied are you that your organization's IA function delivers the value that it should? ⁽¹⁾



(1) KPMG -- 2015 Global Audit Committee Survey

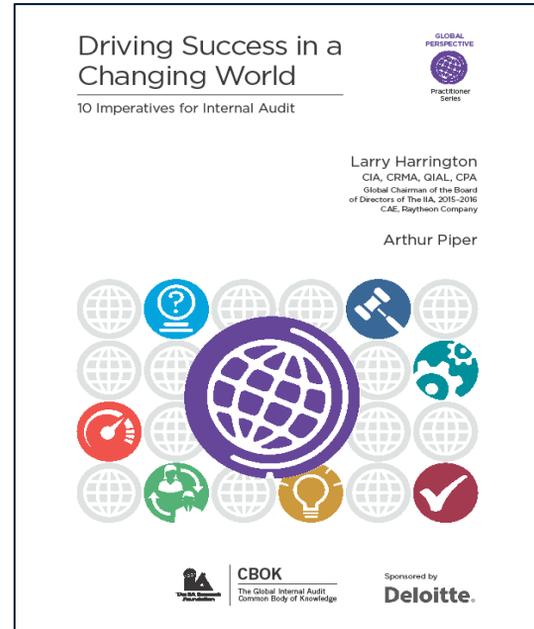
**Are you meeting
your stakeholder's
expectations?**



10 Imperatives For Internal Audit

Larry Harrington
Arthur Piper

“The 10 Imperatives will help practitioners discover areas where they can grow professionally and increase their value to their organizations.”



Available Free of Charge on the IIA Website

10 Imperatives (cont'd)

Play a Leading Role

1. Anticipate the needs of stakeholders
 - a. Constantly changing, internal audit must improve communication
2. Develop forward-looking risk management practices
 - a. Auditors must assess the likely impact of possible future events, and their second and third order consequences
 - b. It's crucial to harness the audit plan to the corporate strategy
3. Continually inform the board and audit committee
 - a. Communicate risks in the context of the business' goals and objectives
 - b. How is the business managing itself, is the control environment improving or getting worse
4. Be courageous
 - a. Internal audit must have the courage to present stakeholders with the unvarnished truth, whether they want to hear it or not

Exhibit 8 Pressure Felt to Change an Audit Finding or Report



“The business has to know the audit function has teeth”

Robert Kella
SVP Internal Audit, Emirates Group



10 Imperatives (cont'd)

Beat the Expectations Gap

5. Support the business' objectives
 - a. Only ~55% of audit departments are fully or mostly aligned with their business' strategic objectives
 - b. Educate internal auditors about the business
6. Identify, monitor and deal with emerging technology risks
 - a. Be proactive and advise management and our boards
 - b. Start looking at IT risk from a high level – policies, project plans and business issues
7. Enhance audit findings by greater use of data analytics
 - a. Improve data analysis skills to enhance audit findings and use to developing forward-looking audit techniques
 - b. Team up with business to help internal audit move into a more independent, continuous monitoring role
8. Go beyond the IIA's standards
 - a. Agree with, measure and periodically report to the audit committee and executive management what they would consider a high value internal audit activity



10 Imperatives (cont'd)

Invest in Excellence

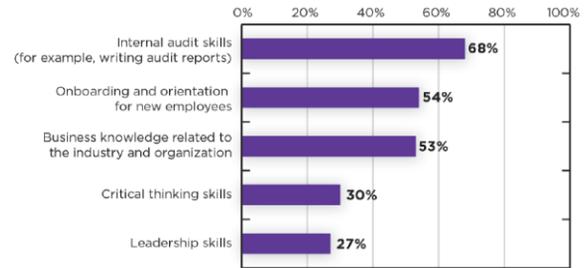
9. Invest in yourself

- a. Most individual auditors only average between 21 and 40 hours on training per year
- b. Auditors must have a continuous learning mindset
- c. Training on: audit techniques, business acumen, soft skills

10. Recruit, motivate and retain great team members

- a. Training and development programs need to be aligned to the future needs of the business
- b. Recruit from a wider pool of candidates
- c. Build formal audit rotation programs

Exhibit 16 Elements Included in Training Programs for Internal Audit



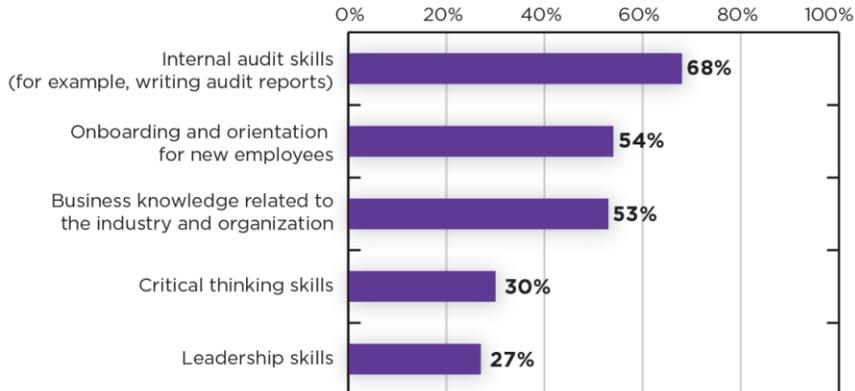
We Must Help our Stakeholders Navigate an Environment of Increasing Change and Volatility



Invest in Yourself

- There has never been a better time to be an internal auditor
- But internal audit departments often do not train staff well
- Most individual auditors only average between 21 and 40 hours on training per year

Exhibit 16 Elements Included in Training Programs for Internal Audit



Invest in Yourself (cont'd)



**Are You Ready
to Seize Your
Opportunity?**

- 36 percent of employers reported talent shortages in 2014, the highest in 7 years ⁽¹⁾
- Estimated shortfall of up to 18 million highly skilled workers in advanced economies by 2020 ⁽²⁾
- 54 percent of respondents cited competition for a limited pool of skilled auditors ⁽³⁾

(1) Manpower Group, The Talent Shortage Continues: How the Ever Changing Role of HR Can Bridge the Gap, 2014

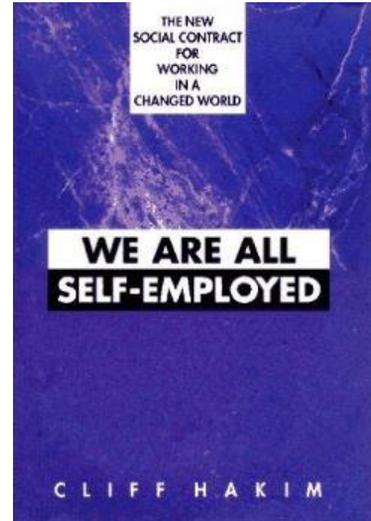
(2) Richard Dobbs, "Talent tensions ahead: A CEO briefing," McKinsey Quarterly, Nov 2015

(3) Pulse of Internal Audit, Mar 2015



Invest in Yourself (cont'd)

- Each of us must take full responsibility for our career
- We are all self-employed
 - Able to identify our skills
 - Uncover hidden opportunities
 - Create and develop more challenging and rewarding work
 - Sell ourselves to various organizations and serve our customers
- What do I do? What skills do I bring to the marketplace? What skills do I need for the job I want?



Surviving = Adapting
Succeeding = Creating



Invest in Yourself (cont'd)

"Employed" Attitude

Practical Application

If I just put my head down and work harder I'll be safe from downsizing.

After all I've done for them, they can't fire me.

I can hold on to my successes - position, title, benefits - and be satisfied. I can rest on my past accomplishments.

I know the politics enough to stay safe.

"Self-Employed" Attitude

Practical Application

I will begin the process of change with myself; career self-management is my responsibility.

With a career counselor's help, I am able to assess my skills and values and to focus on priorities at work.

I will commit to continuous learning, personal growth, and gaining new perspectives. I will treat my career as a lifetime endeavor.

I ask questions to determine my customer's needs and then make the necessary adjustments in service.



Invest in Yourself (cont'd)



Agenda for Developing a Self Employed Attitude ⁽¹⁾:

- Inventory your skills and accomplishments every 6 months
- Seek out data on the company, its goals, etc. through networking
- Discover how you can make a greater contribution
- Share plans and feelings with colleagues and managers

(1) We Are All Self-Employed, Cliff Hakim



Invest in Yourself (cont'd)

- Your investment decisions must include looking forward for:
 - New skills needed to navigate yourself toward the desired destination
 - Changes in the road
 - Unexpected obstacles
- Be flexible and prepared for thoughtful change
- Be willing to take a chance, and fail forward

“It is your decisions, and not your conditions, that determine your destiny.”

— Tony Robbins



Invest in Yourself (cont'd)

Career Planning

- My goal is to...
- The benefits to me will be...
- The benefits to my organization and my customers will be...
- The tools and resources I'll need to fulfill this goal are as follows...
- The steps I'll take, although these steps may change as I proceed...



“We all work two jobs—one of them is being our own career self-manager.”

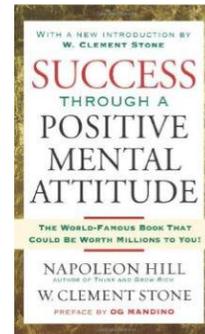
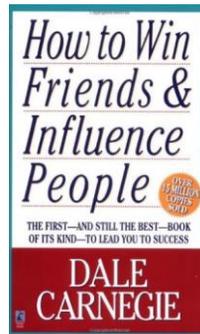
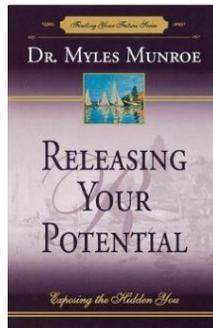
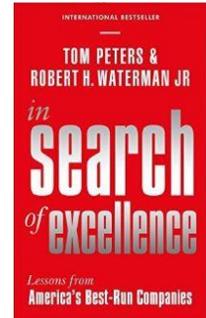
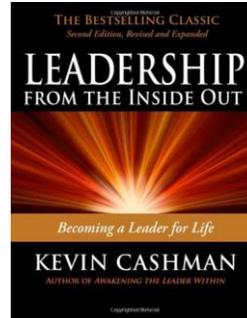
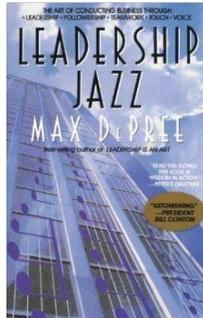
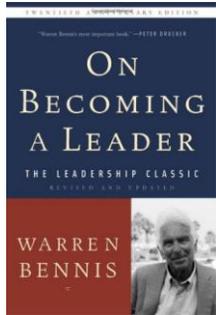
— Cliff Hakim,

Author

Are You on a Career Ladder, or Career Lattice?



Invest in Yourself (cont'd)



Invest in Yourself (cont'd)

Continuous Learning

- IIA:
 - Conferences
 - Seminars
 - eLearning
 - On-site training
 - Local chapters
- Other Professional Organizations
 - ISACA
 - ACFE
- Service Providers

Business Acumen Training

- Soft skills are the hard skills
- Business experience
- Functional training
- Critical thinking
- On-line courses
- Books (or equivalent)

Personal Coach

“Investing in yourself is the best investment you will ever make. It will not only improve your life, it will improve the lives of all those around you.”

— Robin S. Sharma, Author



Be The Leader Our Profession Needs

Leaders are trustworthy, respectful, honest, down to earth

Elaborate a vision with inspiration and passion

Always willing to listen, flexible, approachable, and empathetic

Do not take credit for team success; takes responsibility for failures

Encourages decisive actions, is courageous, and leads by example

Readily challenges status quo; an innovator who drives the vision

Speaks with conviction, motivator and enjoys the success of others

Has the wisdom to admit mistakes and learn from them

Is a continuous learner, coach and developer of others

Puts people first; hires the right ones and replaces wrong ones



Commit To Yourself Today

“The journey of a thousand miles begins with one step.”

— Lao Tzu



Will you commit to that first step, to invest in yourself and become the leader our profession needs?

Please Share Your Success With Me

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