

Revolving Door Leadership

INTERNAL AUDIT'S ROLE IN SUPPORTING CULTURE DURING LEADERSHIP
CHANGES

Objectives

- ▶ Identify the “Prime Conditions” of Internal Audit’s relationship with board, C-suite, and business units to help facilitate a positive change.
- ▶ Identify the attributes of culture that may be impacted by leadership change that should be understood and monitored to mitigate problems.
- ▶ Discuss where Internal Audit may provide value to the organization before, during, and after a leadership change.

Amy's Overall Observations

- ▶ Maintaining a healthy culture is a core driver for the success or failure of a leadership change. However, it is often ignored or not seriously considered by the board or executive management in evaluating the success of a leadership change.
- ▶ No matter how strong the organization and how well managed the leadership change, someone is not going to be happy.
- ▶ The position of the leadership change and the size of the organization impact how a leadership change.
- ▶ And...

WHY HAS THE LEADERSHIP CHANGE
TAKEN PLACE?!

Level of Impact of Leadership Change

- ▶ Macro Environment
 - ▶ Board
 - ▶ C-suite
 - ▶ Senior Management
- ▶ Micro Environment
 - ▶ Management
 - ▶ Domestic vs International

Amy's Definition of Culture

Culture is what people think, feel, say, do, or don't do.

Culture is impacted by the tangible and the intangible.

Culture is a cloud:

- ▶ You can see it but can't hold it.
- ▶ It will change with the wind, slow or fast.
- ▶ It can be beautiful or deadly.

Attributes (that can create, renew, or kill culture)

- ▶ Ethics/Integrity
- ▶ Open Communication
- ▶ Mission and Strategy
- ▶ Risk Appetite & Tolerance
- ▶ Trust
- ▶ Established Values and Norms
- ▶ Transparency
- ▶ Accountability
- ▶ Adaptability

Prime Conditions

Internal Audit's relationship with the board/audit committee, C-suite, and business units on down through the organization needs to be positive in order to be positioned to help facilitate smooth leadership change.

- ▶ Overall, Internal Audit should be seen as Consultative not Copping.
- ▶ Internal Audit should be able to explain the “WHY”.
 - ▶ Alignment of strategy, tactical execution, risk, and risk management approach
- ▶ Internal Audit should be able (and willing) to discuss the intangible in tangible terms.
- ▶ Internal Audit should be trusted to communicate, communicate, communicate.
- ▶ Internal Audit should be viewed as critical and creative thinkers that can help build analytics that evaluate intangible aspects of the organization ... like culture.

Leadership Change Management & Internal Audit Support

Internal Audit has a role in supporting a healthy leadership change and its impact on culture:

- ▶ Before
- ▶ During
- ▶ After/Ongoing

Before

- ▶ Assess the understanding of how important culture is to the organization. This may involve the board, C-suite, and various levels of management depending on where leadership change takes place.
 - ▶ Example: How does the culture of the organization align with/support its mission and strategy?
- ▶ Ensure the alignment of culture (expectations and perception) between the board, c-suite, and the rest of the organization. Be prepared to point out gaps.
 - ▶ Example: What is your risk tolerance for dissatisfaction with the open communication within the organization (or insert any other culture attribute)?
- ▶ Identify possible legacy issues that can create a barrier to effective leadership change and communicate them to the proper party.
 - ▶ Example: Is the strategy the organization has always used to execute our mission the best way to do it now? If not, why are we still doing it?
- ▶ Help support messaging of the board and C-suite to the rest of the organization.
- ▶ Help the board, C-suite, or other management develop measures of successful leadership change and the impact on productivity, attitude, and trust.

During

- ▶ Meet with the new management ASAP
 - ▶ Assess their understanding of the importance of culture.
 - ▶ Determine what has been communicated to them about the organization's culture.
 - ▶ Communicate how Internal Audit incorporates culture in its audit projects as part of new management's orientation to Internal Audit.
- ▶ If you “see” something, say something
 - ▶ Make it evidential not emotional

After/Ongoing

- ▶ Direct approach - Audit Culture Outright!
 - ▶ Warning – Be sure the board and C-suite are ready for this.
- ▶ Indirect approach - incorporate culture as part of other assurance engagements and create aggregate conclusions for the board and C-suite.
- ▶ Consultative Approach - support the board and/or C-Suite in taking measures through
 - ▶ Survey's
 - ▶ Targeted self-assessments – at the C-suite or business unit level
- ▶ Ground-up approach – work with the business units looking at micro culture environments and how those environments support (or don't) the organizational culture.

International Implications

In business, we have more commonalities than we don't but culture is an area we need to "check" our understanding.

- ▶ Query the board on its experience with and understanding of other countries and international business culture.
- ▶ Accept that hoped for changes in culture will take longer in other countries than they do domestically.
- ▶ Have conversations with management (international and domestic) about understood or perceived cultural gaps.
- ▶ Show respect for differences but make sure that culture is not negatively impacted overall.

Summary

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