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IS A LEADERSHIP DEFICIT LOOMING IN INTERNAL AUDIT?

By Ann M. Butera, CRP, the President of The Whole Person Project, Inc.

Are internal audit organizations facing an imminent crisis in leadership? While "crisis" may be *too strong* a word at present, internal audit departments are facing increased oversight and governance expectations at a time when the pool of future leadership talent is not growing apace.

A number of factors are responsible for any growing deficit in internal audit leadership ranks. For one; the sheer size of the retiring baby boomer generation at the very moment when seasoned, highly skilled internal audit leadership expertise is needed more than ever. Consider also that Generation X and Millennial Age cohorts are smaller in number and often have very different attitudes about the value of actively pursuing management career tracks.

Another factor is simply the nature of internal audit work itself and the types of people drawn to it. Traditionally, many people entering the internal audit profession have done so with the expectation of independently pursuing analytical project work. Sometimes people with this orientation often do not want to be managers. A recent *USA Today* survey confirmed that many of today's highly skilled technical employees from many fields simply do not want to manage, viewing the role as thankless, time-consuming and beyond the scope of responsibilities for which they were trained.

Finally, as companies become more global in scope, many no longer are providing the same hands-on, intensive leadership skills training. While e-learning may be a cost-effective training option for many technical skills, it is not necessarily the right vehicle for training managers in people skills such as leadership, negotiation and talent development.

DEFINING LEADERSHIP

The challenge of a shrinking pool of internal audit professionals who are willing to take up the mantle of management – and leadership – becomes an even thornier question when you consider the distinctions between managing and leadership.

The most significant difference is between the role of the "visionary and direction-setter" versus that of the "maintainer." Before I go any farther, let me be clear that the term maintainer is not meant as a negative. Ideally, an organization needs a healthy balance of both strategic, long-term vision ("Where will we be in five years?") and everyday practicality ("What needs to be done today?").

Where natural leaders differ is in their ability to see problems and opportunities that others may not. They are able to influence the behavior of others and deal with a wide range of personalities and business situations. Leaders also understand the importance of keeping themselves and their people up to speed with new ideas and technical developments.

A key challenge facing internal audit directors in cultivating the leaders of the future is one of simply finding practitioners who want to manage at all, let alone who aspire to leadership. This requires open and honest communication with internal audit staff members regarding their views of the benefits and drawbacks associated with managing the work of others.

When individuals with management interest are identified, begin the development process by delegating increased responsibility to them, moving them from being contributors on audit assignments to being in charge of specific assignments and ultimately to having oversight over the work product of others. The goal is to transition candidates from the traditional project-management role to one of managing other professionals, providing realistic, constructive feedback and incentives along the way.

THE FOUR STYLES OF LEADERSHIP

When developing leadership talent, it is useful to keep in mind some of the different management styles encountered in today's businesses as well as the strengths and potential drawbacks of each. The following are the four typical leadership styles catalogued by J.F. Veiga at the University of Connecticut.

The "**Tell**" style of leadership is one in which the leader identifies a problem, considers alternative solutions, chooses one and then reports the decision to the group for implementation. In effect, it is the leader's decision based upon his or her best judgment. This style is effective at initiating action but provides no opportunity for team members to participate or to offer alternative approaches, which can affect the team's sense of ownership.

Under the "**Sell**" style, the leader again identifies the problem and arrives at a decision. However, rather than simply announcing the decision, the leader takes the additional step to try persuading subordinates or team members to accept the decision, recognizing possible resistance and seeking to reduce it. The team initially will have a greater sense of participation and buy-in but will have no greater real input into the decision than under the "Tell" style.

The "**Consult**" style is one in which the leader consults team members or subordinates for their ideas regarding possible solutions. While the leader retains the responsibility for making the final decision, the consultative process gives team members a sense of ownership and commitment to the final decision. While this style is likely to require more time to arrive at a decision, the ability to offer input will greatly increase the team's sense of ownership and commitment to the ultimate solution.

The "**Join**" style of leadership is the most participative. The leader or another team member defines the problem and its limitations and then passes to the group, including the leader as a member, the right to make the final decision. This requires the leader's confidence that team members or subordinates are capable of making final decisions as good as, or better than, his or her own. This style is also likely to require skills in conflict resolution, as individual team members with strongly held, but divergent views, of the problem and potential solution disagree.

Typically, individual leaders will gravitate toward one style over others based on the kinds of experiences they have had with their own managers. However, effective leaders will realize that external factors may dictate the management style used in a given situation. One factor is the situation itself. Is it a true emergency? Is it a novel or unprecedented situation or is it simply routine? Another factor is the experience level of the individuals who must deal with the situation. Are they experts or novices? Can they arrive at and implement appropriate solutions on their own, or do they require more guidance and direction?

To a lesser degree, the time available to deal with the situation will be another determinant. While it is fair to say there is never enough time to do all the things we need to do, some situations are more time critical than others. This, too, will factor into the decision about which leadership style is most appropriate to a given situation.

FOSTERING BREEDING GROUNDS FOR LEADERSHIP

The challenge of developing future managers and leaders is one that extends beyond just the internal audit department. Successful organizations must ensure they are breeding grounds for future leaders not just in internal audit but throughout the company.

Astute people in many industries are looking at this issue and asking how we can get more people in their 30s to want to move into management ranks. The overriding message should be: if you have good managerial skills, you have a talent that is highly transferable across disciplines.

Ideally, a successful internal audit department, and the enterprise as a whole, should strive to become a breeding ground for leadership. Start a rotation program to expose promising future leaders to different aspects and functions of the company. Establish mentoring programs to help identify and develop leaders, and institute feedback, promotion and recognition programs to retain the people you develop. Whether or not a leadership crisis in the internal audit field is inevitable, winning organizations will continue to look ahead and take steps to cultivate and retain the leaders of tomorrow.

Ann M. Butera is President of The Whole Person Project, Inc., an organizational development consulting firm, which specializes in developing audit methodologies and teaching ways to audit for greater results. She serves on an audit committee for a financial services firm. When she is not working with internal auditors, she can be found assisting managers in control self-assessments and Enterprise Risk Management initiatives. If you have specific questions or comments, please call Ann Butera at The Whole Person Project, Inc. (516) 354-3551 or e-mail her at AnnButera@cs.com.