



## Negotiating for success

Internal audit can only affect an organisation through the actions of others. Auditors themselves have no operational responsibility. The ability to negotiate and influence is therefore essential if audit findings are to have a meaningful role in organisational success.

There are numerous theories and a plethora of literature on the topics of negotiation and influence. This paper explores some of the key concepts through the lens of a chief audit executive (CAE) in terms of helpful tools, building relationships and developing a talented team.

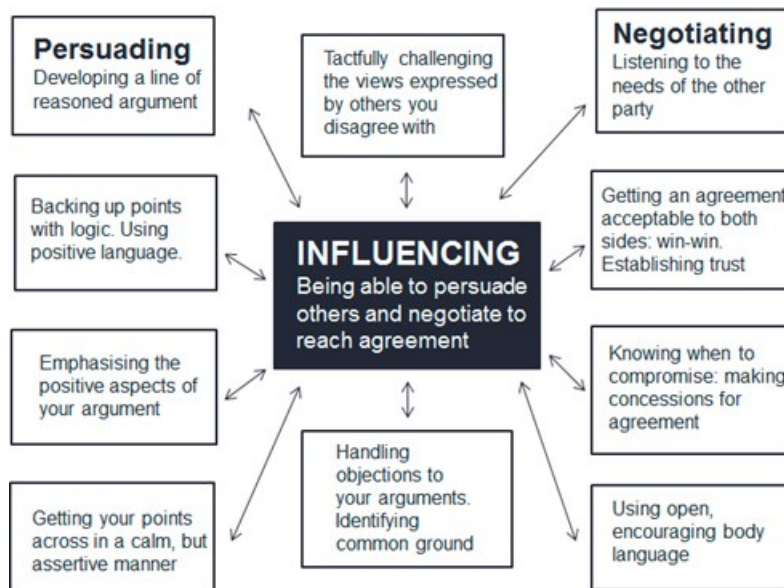
## Explanation

**Influencing** - the ability to affect the development or behaviour of someone or something

**Negotiating** – an exchange aimed at reaching an agreement

**Persuading** – inducing a change of mind or action

These are highly interchangeable terms that are often positioned together but mean very different things. The diagram demonstrates their relationship using practical insights from research.



Source: *Bruce Woodcock, University of Kent Career Services*

## Relationships

To understand these constructs, auditors need to first acknowledge that they in the sales industry; selling

advice and improvement opportunities for internal control, risk and governance. Selling is not about manipulation and being pushy, “*the key to this business is personal relationships*” as declared by Tom Cruise’s character in the classic movie Jerry Maguire. The same is true of the internal audit profession.

An important facet of being a CAE is relationship building, creating safe environments where trusted conversations can take place, such long-term associations however are not always possible, particularly for auditors. When meeting people for the first time or re-engaging with casual acquaintances, an effective approach is to build rapport.

In his book, *Never Split the Difference*, ex-FBI hostage negotiator Chris Voss reveals nine practical tactics that the FBI teach operators to being more persuasive in negotiation. They work on the premise that compromise is not a solution, people are not rationale, and nothing is fair (not dissimilar to the world of internal audit);

- Tactical empathy – demonstrate you have an emotional connection, phrases such as ‘*I can see that you’re concerned about...*’, ‘*I sense your discomfort about...*’, ‘*It sound like it’s important we...*’
- Get to ‘no’ – inviting the other party to say no gives them a sense of power, ‘*is now a bad time to talk*’, ‘*have you stopped x initiative*’,
- Rapport – carefully slow the pace of the conversation, selectively mirror words that are used, allow for silence, mirror body language, change the tone of your voice
- Trigger affirmation – summarising what has been said, get them to agree with you
- Illusion – use open questions (why, how) to get the other party to think through the answer for themselves rather than have to agree with you, if it’s their idea it’s better, even though it’s what you wanted
- Resist compromise – create deadlines for urgency if time is important, frame the conversation such that the other party doesn’t lose face, compromise isn’t a loss
- Guarantee – test out false agreement, ideally get it repeated a couple of times, break any tension carefully with humour
- Prepare – work out your counterparties style, brace for a tough time, build resilience
- Find black swans – uncovering ‘unknown unknowns’ can be beneficial, look for hidden variables, look at the situation from the other side

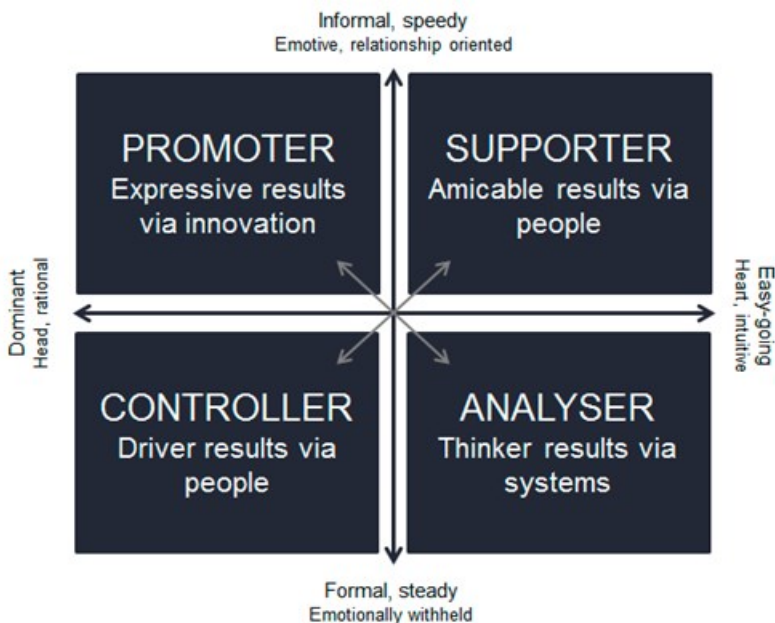
The Johari window feedback tool can be used to aid the final point, plotting what is known by whom; it not only helps to reveal insights into the audit client’s perspective but also highlights information that auditors need to ask for or gain in advance. The larger the open area the more constructive a negotiation is likely to be. Audit teams can share collective learnings to support each other on the characteristics of individual audit clients.



The timeworn sales maxim about people buying from people they like is not dissimilar to the construct of trusted advisor. Auditors must be trusted to have credible relationships and be able to influence and negotiate change.

## Influencing styles

Effective leaders will have a variety of styles that can be flexed for different situations or people. The ability to know one's own preferred style, accept it and then adapt to that of others is a successful strategy. As is taking time to understand the preferred style of others and working with it to promote constructive dialogue.



There are four main styles as shown in the diagram; promotor/supporter and controller/analyser the most compatible pairings due to the speed and style of communication, promotor/controller and support/analyser reasonably attuned in attitude and decision making style with the red lines denoting the most likely conflict points.

<b>Controllers</b> Concerned about productivity, results focused No-nonsense, tackle problems head on, no chit-chat, accept challenge and authority <i>+ make things happen, decision making, leaders</i> <i>- inflexible, impatient, don't listen, rarely pause</i>	<b>Promoters</b> Fast paced, decide quickly, ideas people, collaborative, need recognition, think on feet, poor time management make mistakes <i>+ energetic, sociable, enthusiastic</i> <i>- impatient, short attention span, spin plates</i>
<b>Analysers</b> Organised, structure, autonomous, disciplined, perfectionists, persistent, curious ask questions, informed decisions, <i>+ accuracy, dependability, consistency, logical</i> <i>- risk averse, anti-social, rigid</i>	<b>Supporters</b> Relatively unassertive, reliable, consider options, debate, people oriented, genuine relationships, good listeners, build trust, collaborate <i>+ caring, empathy, followthrough on promises</i> <i>- avoid conflict, sensitive, not easily adaptable</i>

A **quick test** can reveal your style and that of your team. It can also be fun to do this as a team, asking people to guess which box they and their colleagues would be in before revealing and discussing the **topic**.

## Influence without authority

Auditors at all levels, including CAEs cannot rely on the authority that comes with their position when closing audit engagements; auditors can find themselves subordinate in hierarchy to their audit sponsors/risk owners. The role necessitates the ability to influence without authority rather than rely on the weight of power that comes with the role. Reserving this authority can be profitable.

There are three elements to achieving this; ally, understanding and self-awareness.

Think of the audit client as an **ally** not an adversary, each interaction builds a relationship, a strategic partnership, the aim is to find mutual benefit and trust

**Understand** the world of the perspective of the audit client, stand in their shoes, think of it from their position, what do they value, what do they need

Be **self-aware** mindful of own agenda, body language and environment, know preferred style and adapt, have clarity of purpose

An influencer must be adaptable, if the other person likes social talk before work then do so, if they like to get straight to the point, do likewise, some people like to talk about the problem before the solution and vice

versa; the internal auditors personal preference must be put aside.

To influence/persuade successfully it is important not to lose sight of the desired outcome but to be flexible in its achievement; there are often different solutions available the important thing is that the risk is managed or accepted not that the auditor's proposed solution is agreed. CAEs may wish to consider transitioning away from recommendations to agreed actions and from findings to observations – less authoritarian language.

One theory is the **primitive notion of reciprocity**; exchanging things for mutual benefit. Influence comes through having something that the other person needs or wants. Hierarchy can be a subliminal barrier for auditors to realise the currencies available to them. Unlike monetary based rewards, there is a range of flexible, available behavioural/organisational currencies as shown in the list below. This is about moral and ethical exchanges not to coerce or bribe and certainly as an internal audit function not to compromise independence and objectivity. Used wisely, it is a subtle tool in the armoury.

## Commonly traded organisational currencies

### Inspiration related currencies

<b>Vision</b>	Being involved in a task that has larger significance for the unit, organisations, customers, or society
<b>Excellence</b>	Having a chance to do important things really well
<b>Moral/ethical correctness</b>	Doing what is 'right' by a higher standard than efficiency

### Task related currencies

<b>Resources</b>	Lending or giving money, budget increases, personnel, space, and so forth
<b>Assistance</b>	Helping with existing projects or undertaking unwanted tasks
<b>Cooperation</b>	Giving a task support, providing quicker response time, approving a project, or aiding implementation
<b>Information</b>	Providing organisational as well as technical knowledge

### Position related currencies

<b>Advancement</b>	Giving a task or assignment that can aid in promotion
<b>Recognition</b>	Acknowledging effort, accomplishment, or abilities
<b>Visibility</b>	Providing chance to be known by higher-ups or significant other in the organisation
<b>Reputation</b>	Enhancing the way a person is seen
<b>Importance/Insiderness</b>	Offering a sense of importance, of 'belonging'

<b>Network/Contacts</b>	Providing opportunities for linking with others
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#### Relationship related currencies

<b>Acceptance/Inclusion</b>	Providing closeness and friendship
<b>Personal support</b>	Giving personal and emotional backing
<b>Understanding</b>	Listening to others concerns and issues

#### Personal related currencies

<b>Self-concept</b>	Affirming one's value, self-esteem and identity
<b>Challenge/Learning</b>	Sharing tasks that increase skills and abilities
<b>Ownership/Involvement</b>	Letting others have ownership and influence
<b>Gratitude</b>	Expressing appreciation or indebtedness

A combination of trust, preparation and courage provide auditors with the ability to influence. The balance of these elements lends itself to either personal or expert power. Personal is internal, a type of gravitas, not linked to position, conversely expert is based on experience, knowledge and competence. Persuasion is about logic and reasoning, the expert power base of the auditor.

## Childlike simplicity

Children are without authority in the family yet from an early age they negotiate, persuade and influence the behaviours of others – parents, carers, siblings. Simple, effective strategies are created without the constraints of societal norms, corporate culture or fear of failure, there is an innocence from which adults can learn.

- Set up – children often offer something before making a request, a compliment, to do a chore, offering some craft they've done or reminding that they've been good
- Targeting – children speak directly to the key decision maker and when that fails they invariably go to the next in line
- Right timing – asking for something when the other party is distracted, in a good mood, in a hurry can lead to positive outcomes for less favourable requests
- Aiming high – without realising children allow '*wiggle room*', asking for more than what they want or expect, enabling compromise and yet being satisfied with the outcome
- Questioning – why? is a word that children use often, the right questions confirm facts, lead to new information and build relationships, questions control the negotiation
- Options – invariably a child has a range of proposals to offer if the first one fails, having alternatives maintains their power and increases the chance of victory
- Tenacity – as the saying goes, if at first you don't succeed, try and try again! Children know that the no response often means maybe and persist

- Advocacy – using a sibling as back up or saying that a friend’s parent does a particular thing too helps build their case

Without using hierarchy these strategies are successful in negotiating and influencing outcomes such as staying up late, having dessert when the main hasn’t been eaten or increasing pocket money. Release the child within, but avoid the tantrums!

## Negotiation theory

Auditors and their audit clients are subject matter experts (SME), when discussing findings and any remedial activities required, so what is the focus of the mind – is the negotiation about position or principle?

### Positional

Opening demands

Pressure to reach quick conclusion

Focus on past experiences /responsibility for failure

Less planning required/transactional

Confrontational

### Principled

Brainstorming

Mutually agreed agenda

Establishing common interests

Potential to exceed expectations

Builds respect over the longer term

Positional negotiations are relatively inflexible and risk-averse, SMEs, including auditors can feel reassured by this stance, having a clear vision of what constitutes appropriate controls and not being willing to deviate from it. It is also quite transactional in style and unlike principled negotiations does not invite open discussion on a range of solutions, exploring mutual interests and expertise. Auditors should be comfortable using both styles as a typical audit will undoubtedly have a mix of straightforward and complex issues to resolve.

This is similar in concept to the more familiar **push and pull concept** of influencing skills; positional and principled respectively. Instinctively CAEs will understand that it’s easier to pull than to push, yet the nature of internal auditing can again lean towards the push style. Push typically indicates negative consequences (as with threat impacts), enforces rules (policies, standards) and logical persuasion from a point of expertise. Here is an insightful **questionnaire** you can use with the team.

## Negotiating styles

There are a range of options depending on the wants and needs of all parties, ranging from competing (I win – You lose), accommodating (You win – I lose), avoiding (both lose), compromising (win some lose some) and collaborating (win-win). Everyone will have a couple of preferred styles.

The role of internal audit within the organisation means that only win-win is a viable option, the others result in unsustainable working arrangements or lost opportunities to improve the control environment. Whilst these might be personal preferences in other situations as CAE there is a responsibility to ensure they are avoided in the workplace through practice, coaching and personal development.



Do any auditors avoid meetings with particular audit clients? Is there someone who prefers email to face-to-face meetings? Are there stakeholders who avoid internal audit? Looking back have some situations been set up to make a win-win outcome hard to achieve? Simple avoidable things such as an audit close meeting the morning of a major operational incident (*reschedule*), internal auditor mind set fixed on a particular action (*be open to alternative approaches*) or an open-plan meeting for contentious topic (*arrange a private space/room*).

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## Win-Win

This style is founded on trust and information sharing. Imagine the start and end point of each party's position as lines, moving to the middle ground where there is some consensus makes it possible to rationalise and discuss moving further along the line safe in the knowledge that any agreement is satisfactory to build on.



The art of the win-win is in preparation and questioning – the skills of the auditor. Before the negotiation it is important to know the facts of the subject, be clear on the ideal end goal and have an alternative option in mind. During the negotiation, if the audit client is confrontational it is likely that they have not understood the facts or have a different end goal. Discovering their end goal and alternative option is essential. Using diagnostic questions to understand their position enables the auditor to leverage the answers towards an acceptable win-win conclusion.

Thinking back to understanding the world of the audit client, decision-making can be disproportionately impacted by recent or intense events; auditors should be aware and mindful of these. Additionally, there are four other factors to consider when evaluating acceptable alternative options (and trying to identify that of the audit client):

- Resource – time, cost, people, cost/benefit, what is affordable?
- Feasible – do the options manage the risk and improve the control environment?
- Impact – will the options have a positive influence on the issue?
- Consequences – evaluate the options e.g. reputation, relationships, professionalism

There will be times when agreement over audit matters cannot be reached; CAEs must ensure that auditors know their boundaries, when to escalate for support and the process for audit clients accepting risks. It is important to emphasise that irreconcilable differences benefit no-one.

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## Essential auditor skills

Unsurprisingly the skills for becoming a good negotiator are consistent with those expected of an auditor:

- Problem analysis – looking at situations from different perspectives
- Preparation – goals, concessions, alternatives, information is power



- Active listening – looking for cues, working the angles
- Emotional control – not making it personal, keeping professional
- Questioning – what is important to the other party, clarifying positions/agreements
- Verbal communication – clarity of reasoning and desired outcome
- Collaboration – mutual agreement better long-term outcome
- Problem solving – adapting, accommodating, adjusting approach to achieve as solution
- Decision making – decisive, work within authority
- Interpersonal skills – persuade not manipulate, constructive environment
- Reliability – trust, follow through on promises

CAEs may find it useful to consider the preferences of their auditors and how this can be leveraged. How do individual auditor styles fit with the internal audit culture? How does the audit culture fit with that of the organisation? Are some auditors more successful than others in agreeing audit actions? Is there a different approach to closing audits than is used today? CAEs are accountable for their own competence and that of their teams to effect change through positive win-win negotiations.

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## Closing thoughts

A salesperson losing a sale can still be successful in achieving their targets with another client or customer. It is not that simple for auditors. Organisations suffer when internal audit fails to influence or persuade its stakeholders about internal control weaknesses, poor governance arrangements, and risk exposures and then negotiate adequate, timely solutions. Internal audit is the final layer of internal protection for organisations.

*"The key to successful leadership today is influence not authority"*

- Ken Blanchard, management guru