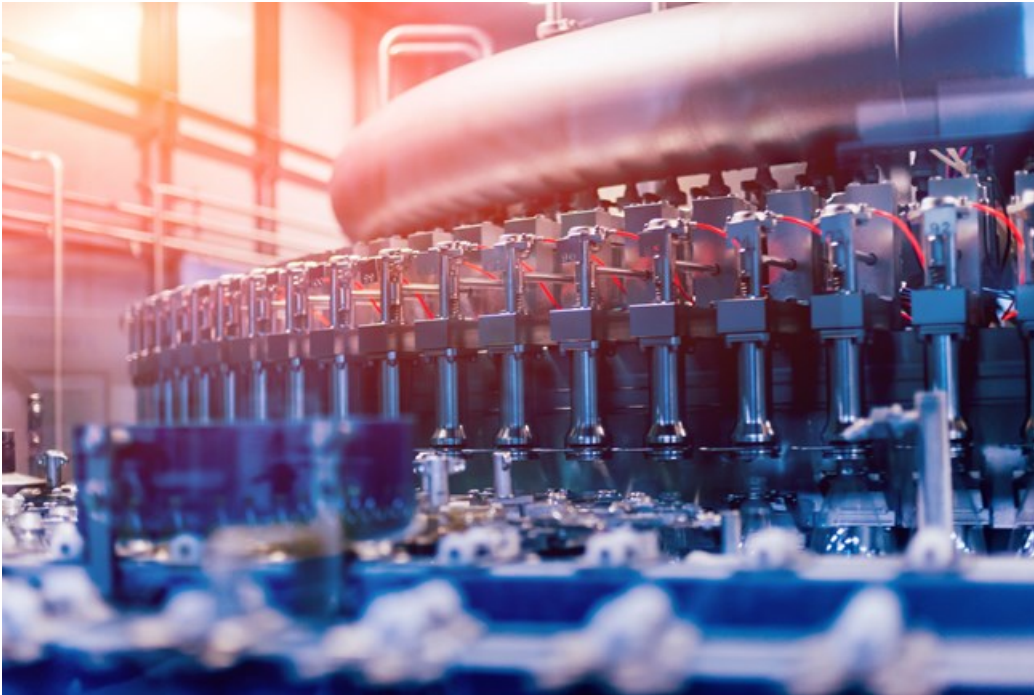


Business acumen for internal audit



Take a few minutes for a quick, practical refresher on the topic of business acumen. It is for audit leaders and auditors alike. We look at why it is important, top tips and some practical tools chosen specifically for auditors.

Short for time? [Skip ahead](#) for 10 top tips on business acumen.

A core competency for all

Business acumen is a core competency for auditors in all sectors. It is about understanding how an organisation operates and using that knowledge to make good decisions.

- How confident are you in your business acumen skills?
- Do you actively think about improving it?
- If it was a mobile phone, is it due an upgrade?

Openness to learning is step one in developing business acumen and being a valued audit leader.

What do we mean by business acumen?

As part of the learning for the internal audit apprentice schemes, the Chartered IIA has its own definition of

business acumen: *“interpret/articulate key risks impacting organisation/wider industry; apply understanding of this wider context to drive audit plan.”*

All business situations, regardless of sector, involve a degree of risk: the threats and opportunities that determine an organisation’s success or failure. Business acumen and good risk management go hand in hand.

Conceptually business acumen can be broken down into two parts. The first is literacy: developing a knowledge of the acronyms, language and various functions within the organisation. All of the fact-based practical information. The second part overlays the actual acumen onto this knowledge. Acumen is the ability to make sound judgements and quick decisions; in this case in a business context.

Together they represent a formidable leadership trait. One without the other is useful but not powerful in improving personal and organisational performance.

Why is this important to me?

Business acumen is part of the Chartered IIA’s **Competency Framework**. It is a key attribute of internal auditors and must be considered as part of ongoing continuous professional education.

It is useful for internal auditors to reflect on business acumen from two different perspectives: thinking like an audit leader and thinking like a director.

Think like an audit leader

Having a deep understanding of the organisation and its wider environment is critical to providing meaningful audit assurance around governance, risk and internal control.

Whatever the situation, business acumen is the thought process that evaluates and analyses the factors that influence the situation and the decisions to be taken. It is not dissimilar to root cause analysis.

It is important to understand:

- the organisation’s business risks and related internal control activities
- the strategic risks to the organisation’s control environment and governance processes
- the risks of macro and economic factors on the organisation’s sector.

Think like a director

According to the Financial Times, it is *“keenness and speed in understanding and deciding on a business situation”*.

While internal auditors do not participate in the decision making of the organisation, they do offer advice and agree actions. Without business acumen, what real value does this deliver?

As internal auditors, particularly audit leaders, there is merit in adopting the mindset of a board member, a director of the organisation, when thinking about audit findings, risks and controls. Putting oneself in their shoes from time to time, understanding the organisation from their perspective facilitates constructive dialogue. What additional insight could you gain in terms of the pressures associated with decision making, the trade-off between different issues and the impact of individual’s different risk appetites? A potentially useful exercise for audit leaders to encourage their teams to do.

Business acumen develops personal credibility. As an addition to the risk and control focus, it also requires expertise of the organisation's environment and sector practices plus any other factors specific to the organisation itself.

Blending the two perspectives generates a high level of adaptable business acumen, helping internal auditors to:

- think innovatively about challenges to find insightful, commercial solutions
- participate in discussions at all levels
- make linkages between disparate pieces of information.

Partnerships

Many audit leaders want to develop partnerships with management and governance leaders.

One of the key attributes to achieving this is business acumen, achieved through knowledge of:

- the organisation's strategic goals and objectives
- the risks to achieving these
- the current position of the organisation against competitors and in the wider sector
- challenges around locations the organisation operates in
- regulations across all relevant territories

It is virtually impossible for anyone to be merely superficial through the barrage of meetings and impromptu discussions that take place at a senior level. At the very least it would be stressful and exhausting not to mention unprofessional; the Core Principles of internal audit demand integrity in addition to competence.

Senior executives' value shrewd dialogue, particularly when combined with the reasoning skills and objectivity that comes from audit leaders.

- Do you have powerful partnerships?
- What is holding you back?

10 Top Tips

We have distilled lots of theory on this topic to come up with tips most relevant to internal auditors.

1. Schedule time each week to develop your business acumen.
2. Build a diverse network, attend events, social media is great for this.
3. Boost your numerical thinking and aptitude.
4. Be competent in risk management skills.
5. Focus on the drivers of success for your organisation.
6. Stay up to date with sector news and information.
7. Take an interest in colleagues and internal communications.
8. Listen to the news, understand what is happening in the economy and society.
9. Be curious.
10. Business acumen is a journey not a destination.

Tools to help develop business acumen

Here are five practical ways in which internal auditors can improve their business acumen.

Make a Commitment

Psychologists say that it takes investment of time for new behaviours to become habit.

Try the 21/90 rule.

Commit to doing something related to developing your business acumen for 21 days: straight days including weekends. Then continue to do it for another ninety. Daunted! See how you feel after the 21 days and maybe skip straight to weekly.

Going forward, make it part of your weekly routine. Business acumen is dynamic; it is continuous and cannot be learnt through an app or a training course. It is something you have to do for yourself. We have included a handy weekly checklist of questions at the end of this article.

Financial literacy

Regardless of your background all internal auditors must be comfortable with financial data. Not an expert. Understand the language used, the acronyms such as EBITDA and what they actually mean. Get to grips with your organisation's income statement, balance sheet and cash flow statement.

If your company is listed, listen in to the quarterly calls to investors. Transcripts are always available if it gets complicated.

Be a relevant elephant

We all know an elephant never forgets, and nor should an internal auditor!

But you cannot possibly remember everything so be relevant.

Business acumen is fluid and time barred. It thrives on relevant, current information.

Listen to podcasts, watch business leaders, read, read and read some more; business books, industry journals, blogs, twitter, quality newspapers...the list is infinite.

Subscribe to weekly emails from credible websites, follow companies and people on social media, set up Google alerts...find what works for you.

Be smart, be relevant. Ask yourself how the information is relevant to your organisation; is it an emerging risk, a new competitor, change of government policy, new legislation etc.

Visualise the organisation

Take an A4 piece of paper and create your organisations business model. What are the most important elements? Maybe use traditional methods such as PESTLE or Value Chain analysis, you could also think about **VRIO** analysis to consider the importance of current resources.

- How does the audit plan fit with this?
- Does it demonstrate business acumen?

Sell your organisation

Imagine you have been given the task of selling your organisation to an investor. What would your pitch be?

Think about how you would articulate:

- the origins of the organisation and what has made it successful
- current position, including unique strengths and weaknesses
- future strategy, vision and execution
- how is the organisation performing against its targets

This is a great exercise to do as a team, competing against each other for the best pitch.

In summary

Business acumen is basically a matter of cultivating knowledge.

It can build gradually at an organic pace or it can be developed and the value accelerated.

Good business acumen can be the difference between being a steady performer and being a trusted advisor, a partner with the board and governance leaders.

What do you want to be?

Further reading

- Online course – [Interpreting financial reports](#)

A course to explore the use and interpretation of financial reports audit work. 2hrs, 2 CPE points

3hrs, 3 CPE points

- Online course – [Introduction to accounting ratios](#)

This course will help you analyse financial data and, more importantly, understand how to interpret this analysis to form useful conclusions about an organisation.

3hrs, 3 CPE points