

# SUCCESS

Basel, 21.09.2017



ECIIA Conference 21./22.09.2017  
from insight to influence



**Speaker: Rainer Lenz**



**Dr. Rainer Lenz**

**Head of Corporate Audit, Villeroy & Boch**

**10 years experience as CAE**

**15 years experience as CFO**

**PhD Internal Audit 2013**

### **Awards**

- Audit Innovation Award 2017, 2013
- DIIR Förderpreis 2013
- Larry Sawyer Research Foundation Award 2012

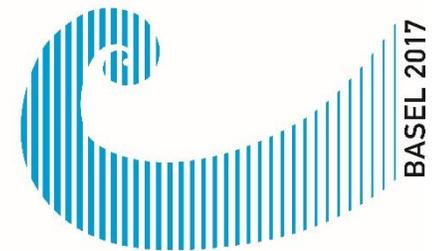
**Business degrees from GER, FR & UK**

**QIAL, CIA, CIIA, CEFA, Banker**



# Agenda

- My motivation to speak
- MADE to STICK: SUCCESS Model (Heath & Heath, 2008)
  - **S** – Simple
  - **U** – Unexpected
  - **C** – Concrete
  - **C** – Credible
  - **E** – Emotional
  - **S** – Stories
- Swimming in the organisation
- Key takeaways



# My motivation to speak



1. Make the **internal audit function** more **effective**



**Norman Marks**

Author, blogger, evangelist for better-run business

**Do internal audit departments focus on what matters?  
Survey says they do not.**

There's a huge disconnect with audit professionals believing they focus on the risks that matter and executives thinking they don't. This survey reinforces that.

2. Make the **internal audit profession** more **effective**



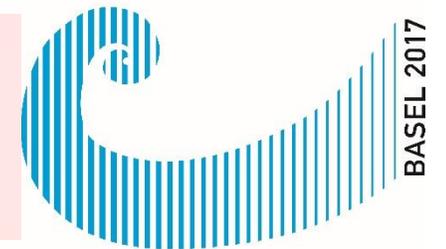
**The Institute of Internal Auditors Singapore**

**Internal Auditing at Crossroads - Auditors Must Elevate**

**Profile, Significantly Rebrand Themselves and Find a**

**Seat at the Table**

**Evolution or irrelevance? Internal Audit  
at a crossroads - Deloitte's Global Chief  
Audit Executive Study**



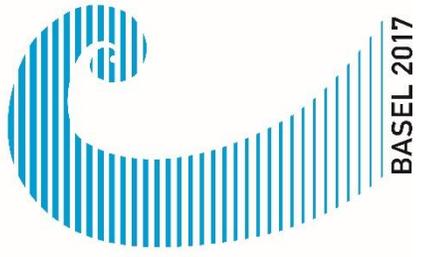
# MADE to STICK SUCCEs Model

A sticky idea is understood, it's remembered, and it changes something. Sticky ideas of all kinds—ranging from the “kidney thieves” urban legend to JFK’s “Man on the Moon” speech—have six traits in common. If you make use of these traits in your communication, you’ll make your ideas stickier. (You don’t need all 6 to have a sticky idea, but it’s fair to say the more, the better!)

PRINCIPLE 1	PRINCIPLE 2	PRINCIPLE 3	PRINCIPLE 4	PRINCIPLE 5	PRINCIPLE 6	
						
<b>SIMPLE</b>	<b>UNEXPECTED</b>	<b>CONCRETE</b>	<b>CREDIBLE</b>	<b>EMOTIONAL</b>	<b>STORIES</b>	
Simplicity isn't about dumbing down, it's about prioritizing. (Southwest will be THE low-fare airline.) What's the core of your message? Can you communicate it with an analogy or high-concept pitch?	To get attention, violate a schema. (The Nordie who ironed a shirt...) To hold attention, use curiosity gaps. (What are Saturn's rings made of?) Before your message can stick, your audience has to want it.	To be concrete, use sensory language. (Think Aesop's fables.) Paint a mental picture. ("A man on the moon...") Remember the Velcro theory of memory—try to hook into multiple types of memory.	Ideas can get credibility from outside (authorities or anti-authorities) or from within, using human-scale statistics or vivid details. Let people "try before they buy." (Where's the Beef?)	People care about people, not numbers. (Remember Rokia.) Don't forget the WIIFY (What's In It For You). But identity appeals can often trump self-interest. ("Don't Mess With Texas" spoke to Bubba's identity.)	Stories drive action through simulation (what to do) and inspiration (the motivation to do it). Think Jared. Spring-board stories (See Denning's World Bank tale) help people see how an existing problem might change.	

[www.MADEtoSTICK.com](http://www.MADEtoSTICK.com)

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# Description of Presentation: SUCCESSs

Inspired by the bestseller “*Made to Stick: Why some Ideas Survive and Others Die*” (Heath and Heath, 2008), I will apply the SUCCESSs model of sticky ideas to the world of internal auditing.

**A sticky idea is understood, it is remembered, and it changes something.**

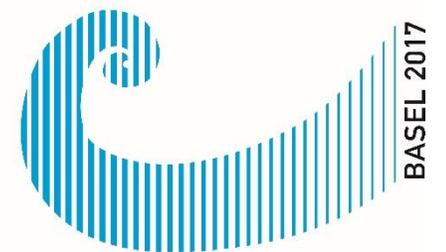
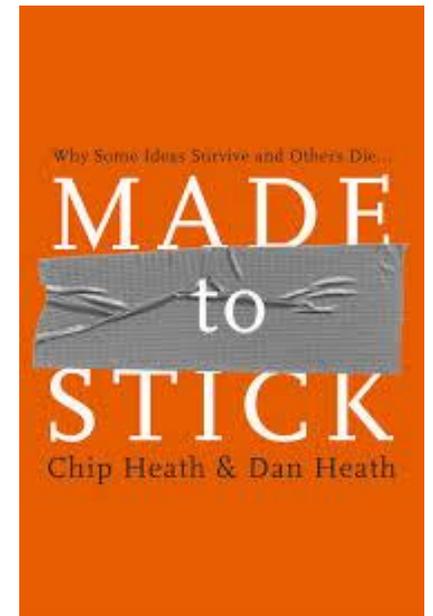
**Are you understood?**

**Are you remembered? If so, what for?**

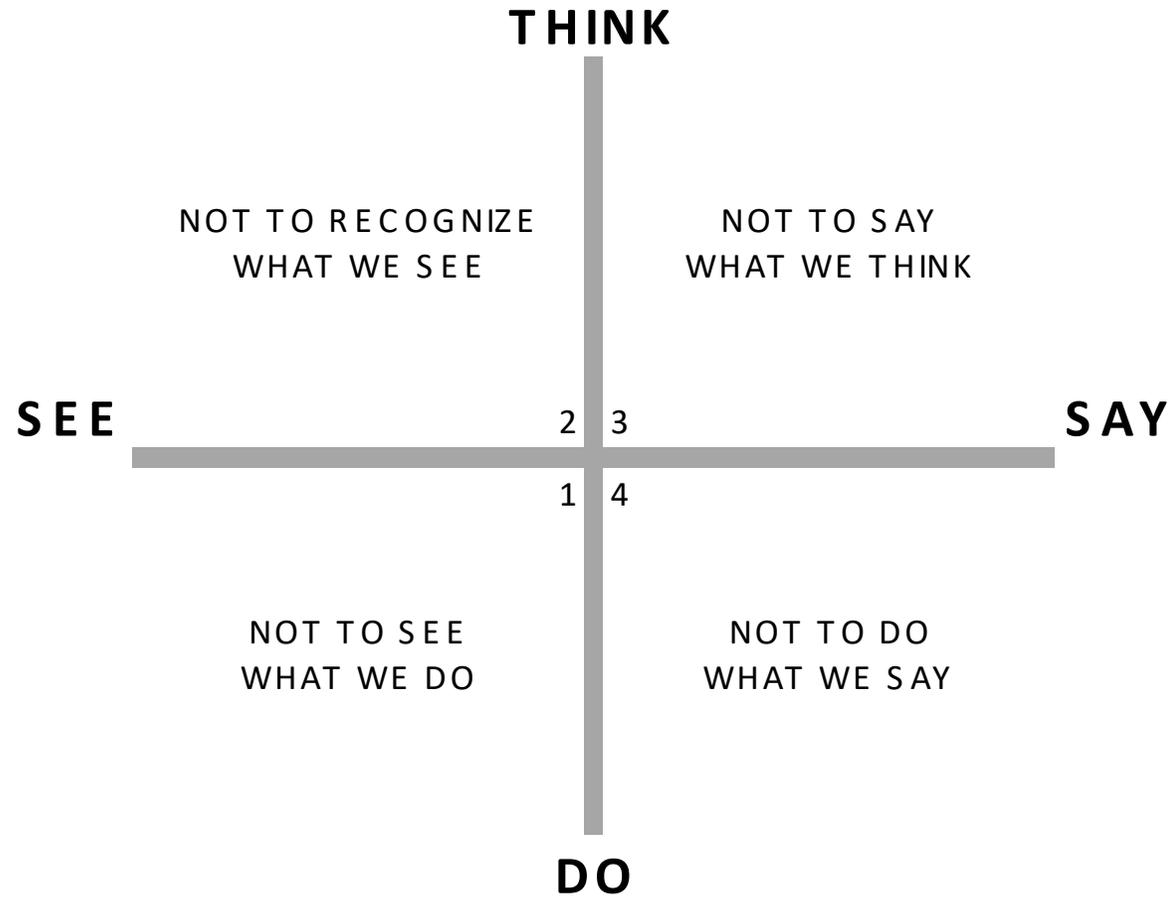
**Are you agent/s of change?**

**What are favorable conditions to succeed? What is in your hand?**

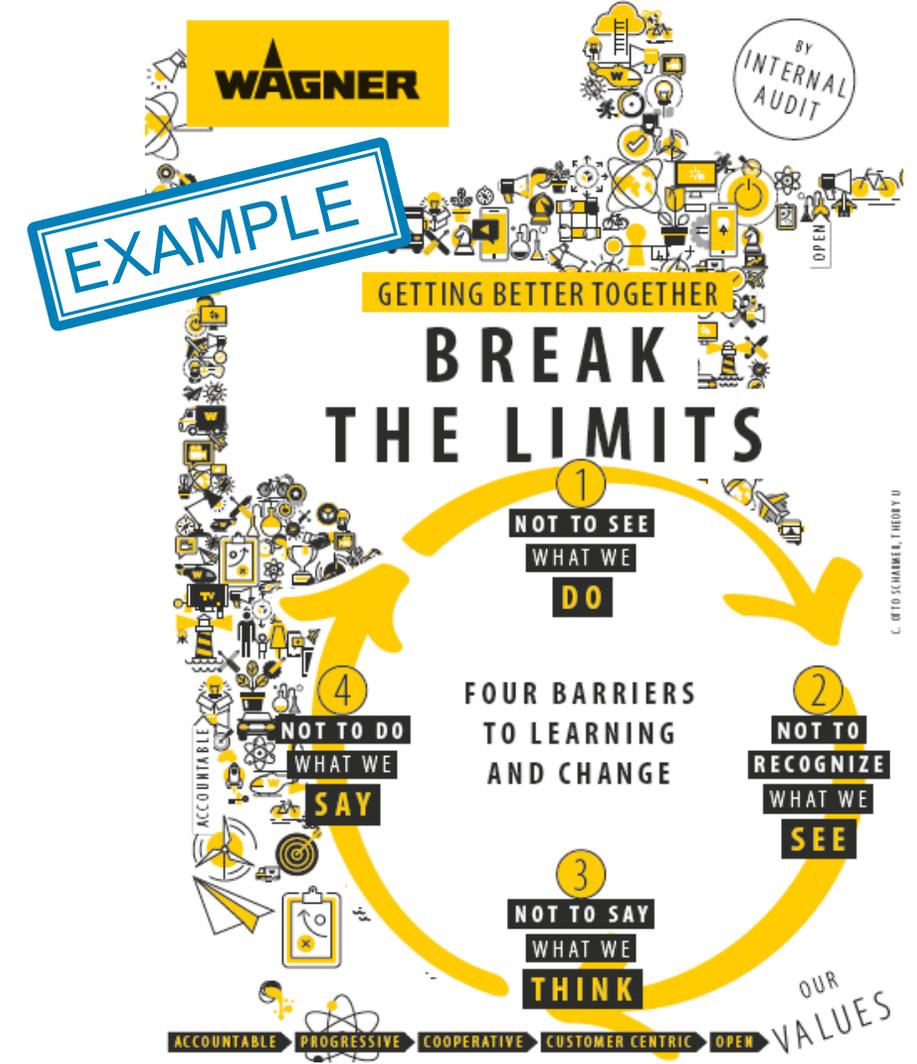
Along the acronym SUCCESSs, I will share my perspective on how effective internal audit looks like. My perspective is based on over 20 years of senior management experience and my dive into the world of academia in parallel to my full-time job, performing empirical research about internal audit, too.



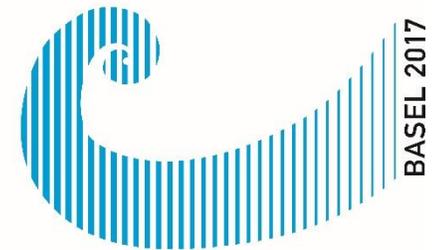
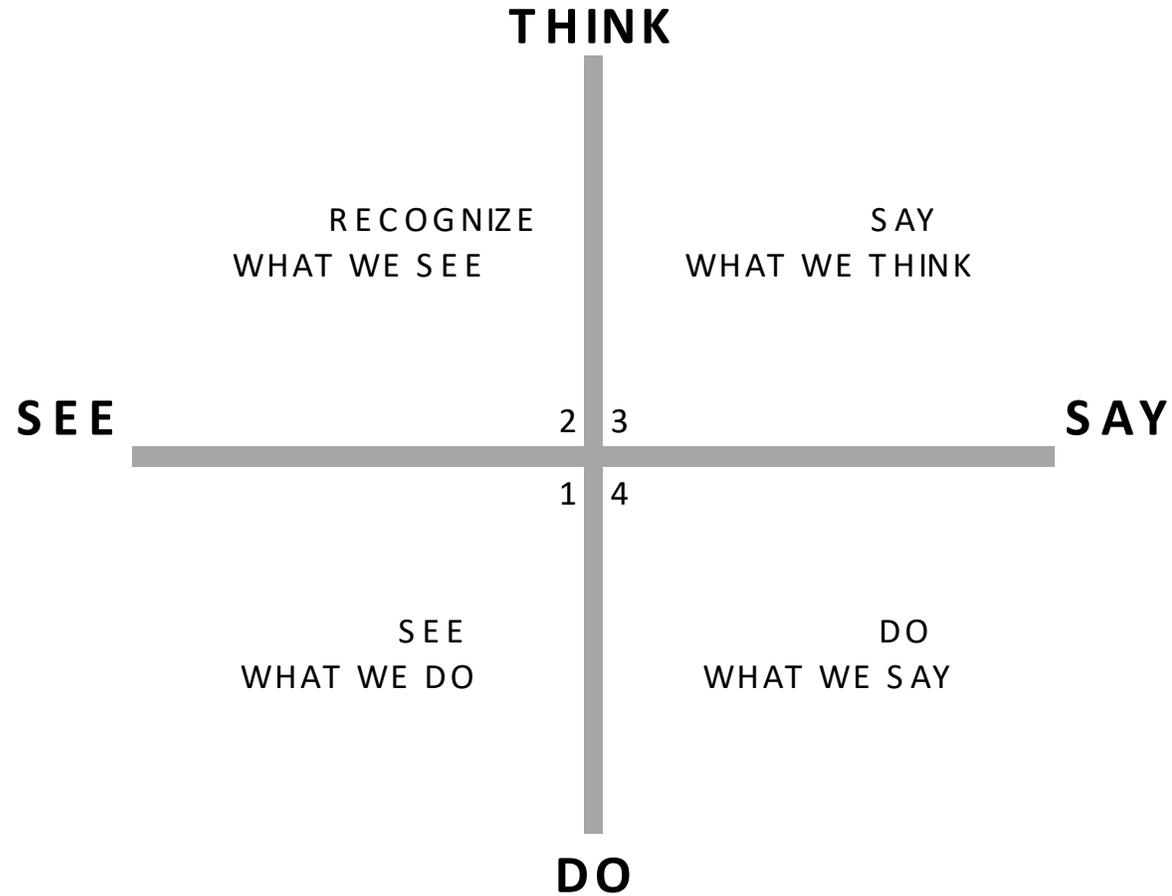
# Four Barriers To Learning & Change



Source: Scharmer (2009), Theory U

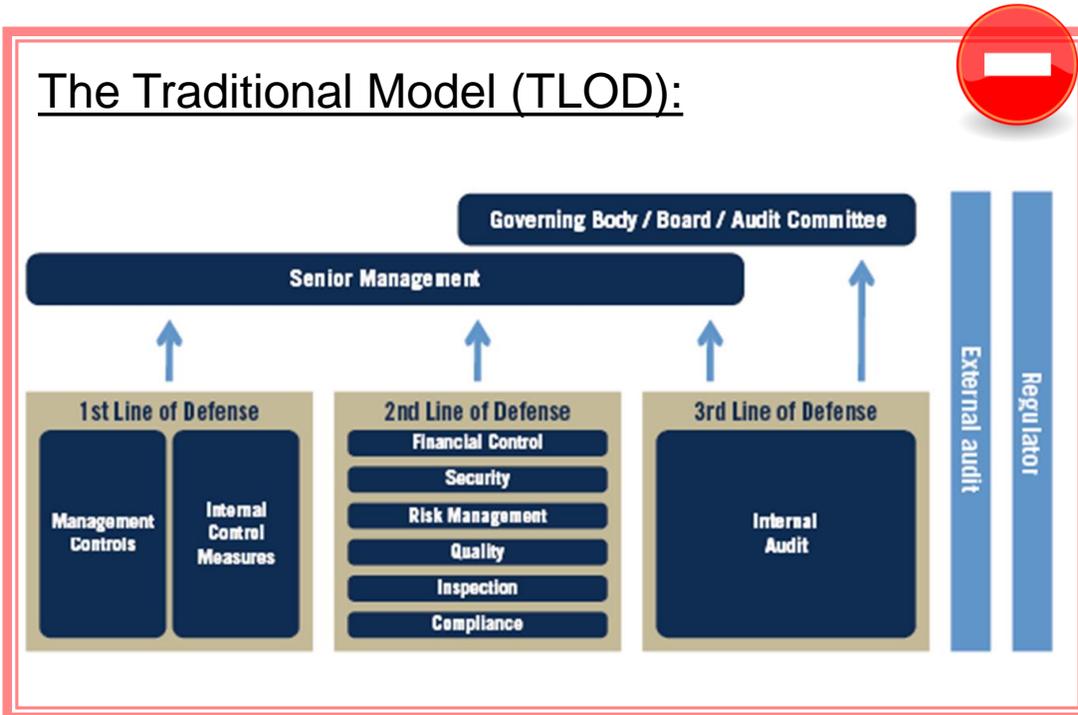


# Audit Cycle – How We Actually Work

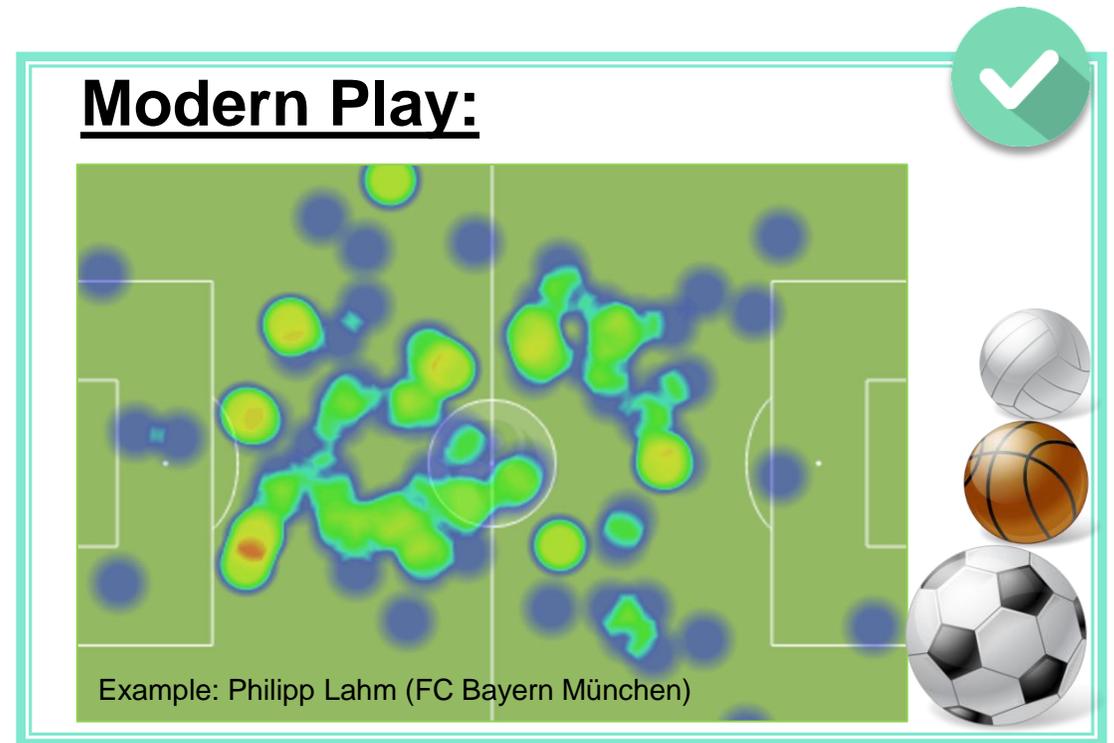


# The Traditional Model vs. Modern Play

... that incorporates offense (value creation) and defense (value protection) in all actors –with complementary roles.



Talks about defense only;  
No communication between „silos“;  
Integrated assurance



**Offense Wins Games,  
Defense Wins Championships**

# Process Mining



## IMPACT OF PROCESS MINING ON THE PURCHASE-TO-PAY-PROCESS

celonis

OVERVIEW HOW IT WORKS ROI CALCULATION

ANALYSIS

How often do document changes occur during the purchasing process?

MEASURES & POTENTIALS

Using Celonis, often occurring changes and their root causes could be identified and analyzed. In comparable use cases, manual effort could be reduced by up to 40%.

100% EFFICIENCY

100% ENSURE QUALITY

Automation and standardization, and avoiding errors, increases efficiency by over 40%.

High precision in planning and delivery, fewer incidents and clear responsibilities increase customer satisfaction significantly.

celonis

OVERVIEW HOW IT WORKS ROI CALCULATION

ANALYSIS

How many orders with the same vendor are processed within one week? Is there potential to reduce costs by order bundling?

MEASURES & POTENTIALS

By bundling small purchase orders manual effort can be reduced and price discounts can be realized.

OVERALL POTENTIAL

RESULTS:

- Duration of manual change: 20 min.
- Occurrences per year: 199,752
- Potential for optimization: 40%

FORECAST:

- 199,752 \* 20 min. = 3,995,040 min. = 66,584 h
- 66,584 h \* 40% = 26,633 h/Year
- = 14 FTE = 999,676 €/Year

TE = 5 Days/Week \* 8h \* (52-5) Weeks/Year = 1880 Hours/Year = 70.000€

OVERALL POTENTIAL

RESULTS:

- Number of orders: 124,877
- Saved time per case: 10 min
- Realization potential: 60%
- Target EDI ratio: 50%

SAVINGS:

- 124,877 \* 10 min = 20,813 h = 7 FTE
- = 464,968 €/Year

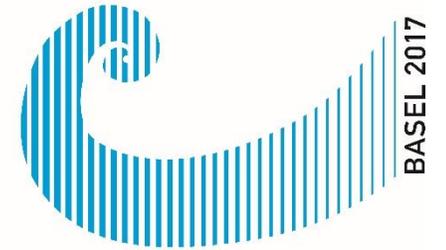
1 FTE = 5 Days/Week \* 8h \* (52-5) Weeks/Year = 1880 Hours/Year = 70.000€

1 m € SAVINGS



Please note: all screenshots used are merely exemplary and have not been taken from real customer data. Hence, they do not correspond with the calculations made in this business case.

465 k € SAVINGS



# Farmer as suggested New Leitmotif for auditors

## Key attributes:

- *Has little or no formal authority*
- *Works indirectly; sows the seeds*
- *Humble; open-minded; asks questions*
- *Focuses on strengthening things*
- *Very respectful towards nature*

## Relationship to others:

- *Cares about good conditions to grow*

## Culture:

- *Result-driven and outcome-focused*



# Soft factors matter



Fingerspitzengefühl

People don't care  
how much you *know*  
until they know  
how much you *care*

Appreciation



Audire (lat.):  
to hear, to listen

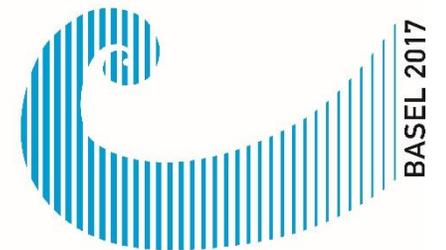
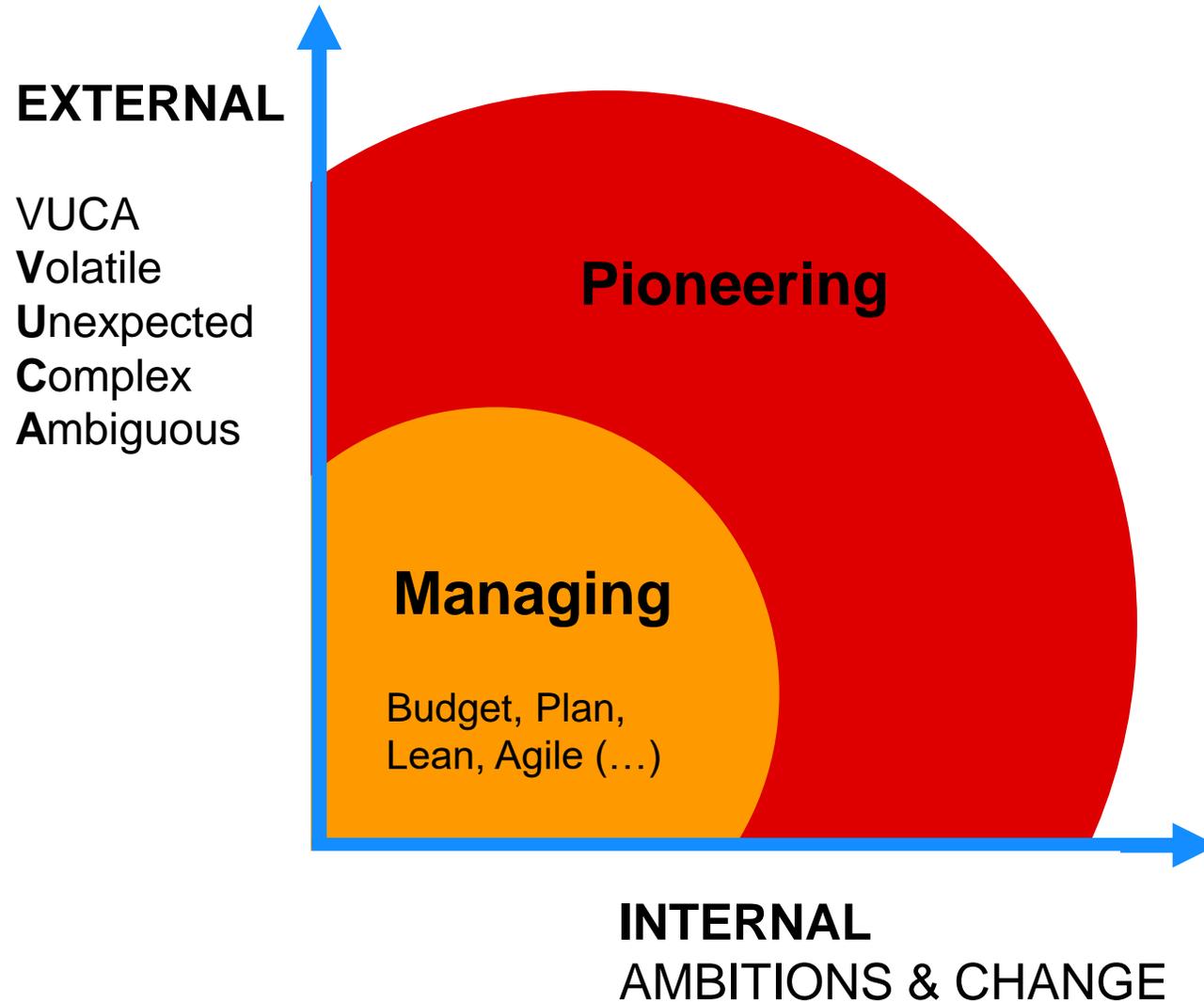
➤ **We have two ears and one mouth.**

We should listen twice as much as we speak.

➤ **The so-called “*auditee*” is a human being.**

Always remembering that will help you to get things done through others (not being the CEO).

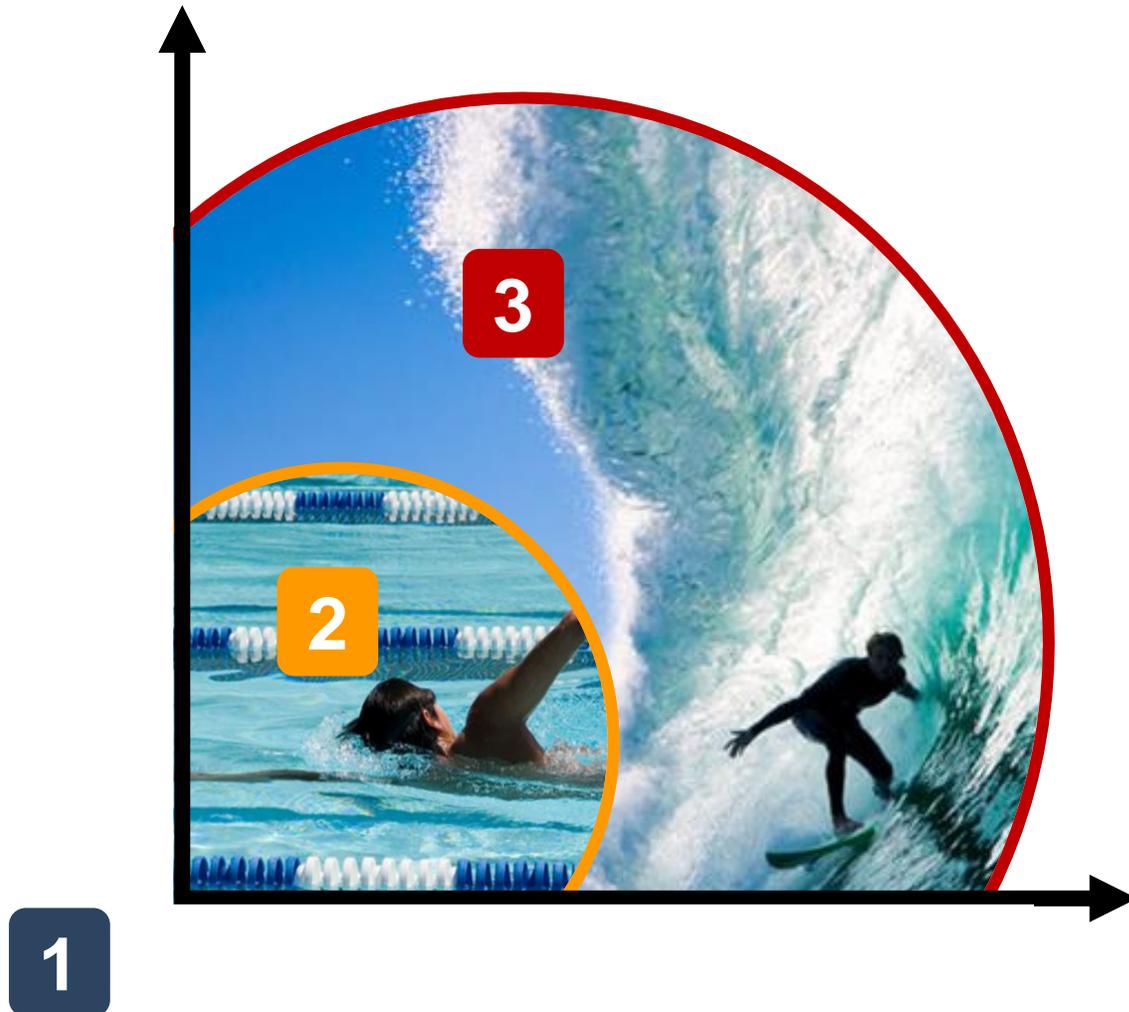
# Managing and Pioneering



Inspired by T. Schulte (2017)

# SUCCESS

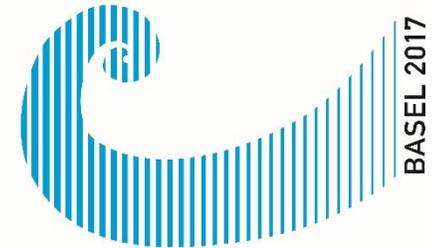
## Metaphor «Swimming in the organisation»



Three types of auditors:

- 1** Standing on the sidelines;
- 2** Swimming in a calm pool;
- 3** Swimming in the wild ocean.

What type are you ?



# Key takeaways:

1. Make the **internal audit function**  
more **effective**

2. Make the **internal audit profession**  
more **effective**

- ✓ SIMPLE (DO-SEE-THINK-SAY)
- ✓ FARMER AS LEITMOTIF
- ✓ LISTEN 2 SPEAK 1
- ✓ SWIMMING IN THE ORGANISATION

- ✓ MODERN PLAY
- ✓ ENTER THE PIONEERING ZONE

# Call to Action: Moving out of your comfort zone



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# Publications:

- **Heath, C. and Heath, D. (2008), Made to Stick: Why Some Ideas Survive and Others, Random, New York, ISBN 978-1-4000-6428-1**
- Holiday, Ryan (2016), Ego is the Enemy, Penguin, New York, ISBN 978-1-5918-4781-6
- Hoos, F. und Lenz, R. (2013), Welche Faktoren erhöhen die Wirksamkeit der Internen Revision und stärken damit die Corporate Governance? Eine empirische Analyse „harter“ und „weicher“ Faktoren, Zeitschrift für Corporate Governance (ZCG), 03|2013, 107-114
- Lenz, R., Sarens, G. & Hoos, F. (2017), Internal Audit Effectiveness: Multiple Case Study Research Involving Chief Audit Executives and Senior Management, EDPACS, 55:1, 1-17
- Lenz, R. (2016), Insights into the effectiveness of internal audit: a multi-method and multi-perspective study, LAP LAMBERT Academic Publishing, Saarbrücken, ISBN 978-3-659-85241-1
- Lenz, R. (2016), Effective audit - inspiring change, Audit & Risk (Issue 27, p. 7), Journal of Chartered Institute of Internal Auditors, London, England
- Lenz, R. (2015), Internal Auditors as change agents: what a difference a year makes! The Open Auditor, Edition 3, September
- Lenz, R. (2014), Strahlemänner und Kollusion im Schatten, in: Frank, B. / Friedrichsen, M. (Hrsg.) (2014), Der moderne Odysseus - Beiträge zum Leitbild einer neuen Werte- und Leadership-Kultur, Springer Gabler Verlag, Wiesbaden, ISBN 978-3-658-05899-9

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- Lenz, R., Sarens, G. and D'Silva, K. (2014), Probing the Discriminatory Power of Characteristics of Internal Audit Functions: Sorting the Wheat from the Chaff, *International Journal of Auditing*, Vol. 18 No. 2, 126-138
- Lenz, R. and Sarens, G. (2012), Reflections on the Internal Auditing Profession: What might have gone wrong? *Managerial Auditing Journal*, Vol. 27 No. 6, 532-549
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- Sarens, G., Abdolmohammadi, M. J. and Lenz, R. (2012), Factors Associated with the Internal Audit Function's Role in Corporate Governance, *Journal of Applied Accounting Research*, Vol. 13 No. 2, 191-204
- Sarens, G., Decaux, L. and Lenz, R. (2012), Combined Assurance: Case Studies on a Holistic Approach to Organizational Governance, IIA Research Foundation, Altamonte Springs, FL
- Scharmer, C. Otto (2016), *Theory U: Leading from the Future as it Emerges*, Berrett-Koehler Publishers, Oakland CA, Second Edition, Paperback, ISBN 978-1-62656-798-6
- Sharma, R. (2010), *The Leader Who Had No Title*, Free Press, New York, ISBN 978-1-4391-0912-0



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