



Gartner®

2019-2020 Annual Edition

Top Insights for the C-Suite

How to Excel at Both Strategy and Execution:
An Audit Perspective

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Execution: An Audit Perspective



A Perspective From Mike Harris

Executive Vice President Research & Advisory, Gartner

Business leaders today face a very challenging business environment marked by significant change, competition, uncertainty — and opportunity.

Although many organisations find it hard to accelerate through the kinds of disruptions and mixed signals they face, Gartner research shows that there are ways to position your business to drive through disruption and come out ahead, but it takes concerted action and preparation.





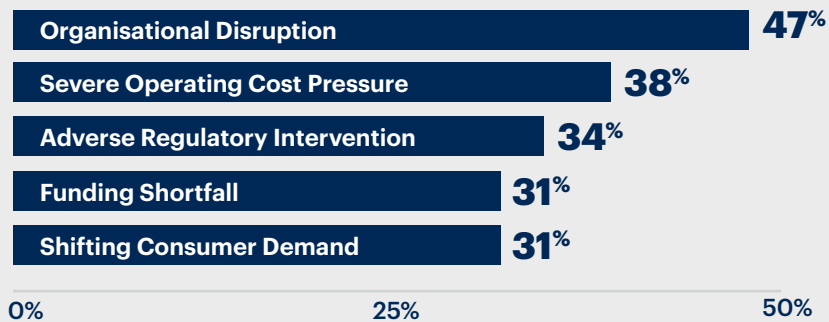
A Perspective From Mike Harris continued

If you are like most business leaders, you would probably prefer not to make big moves until the signals are clearer, or you may look for ways to weather uncertainty — perhaps first leveraging low-hanging tactics like cost-cutting to improve a few performance metrics.

But neither a “wait-and-see” approach nor defensive cost-cutting will power you through adversity — not least because today’s current state of uncertainty won’t magically disappear.

Types of Disruption Over the Past Four Years

Percentage of Respondents, Multiple Responses Allowed



N=1,070

Q: Has your organisation faced any of these situations in the past four years?

Source: 2020 Gartner CIO Survey

There’s little clarity on a range of economic, regulatory, geopolitical and trade issues, and digital disruption has made widespread and multidimensional uncertainty the new normal.

Turns of fortune may be sudden (e.g., enormous security breaches) and can blindside you unexpectedly (e.g., new competition from outside your industry). The g-forces in the turn may be extreme (a non-traditional competitor that does not need to make a profit) and the time to impact short due to digital capabilities (viral anti-brand social media). Turns often coincide, increasing the need to react on different business vectors and requiring a high-performing executive team.

To survive any such turns, organisations must be able to flex as the environment changes. But some progressive business leaders, our research shows, do more than survive; they thrive — by embracing turns as a prime opportunity to seize and sustain a competitive edge.

But winning in the turns in this way requires you to prepare before the turn — whether you are on the executive committee crafting enterprise strategy or leading your function to execute it.

A Perspective From Mike Harris continued

The risk of paralysis is very real, especially if your organisation lacks institutional memory of operating outside of a growth cycle. Many of today's leaders have, for example, only led strategy and operations during times of growth. Fewer than half of current CxOs were functional heads during the 2008-09 financial crisis, and less than 10% were heading the same function in their current company.

Lack of preparation creates business risk. In today's business environment, being right is only half the battle. Companies also need to execute at speed — intensely pursuing strategy with confidence and discipline as the environment changes.

This e-book delivers insights from Gartner research in 2019, featuring data and findings from proprietary surveys and engagements. It highlights the actions that progressive functional leaders are taking to improve their execution and drive forward the organisation's objectives, especially through disruptive turns and uncertainty.

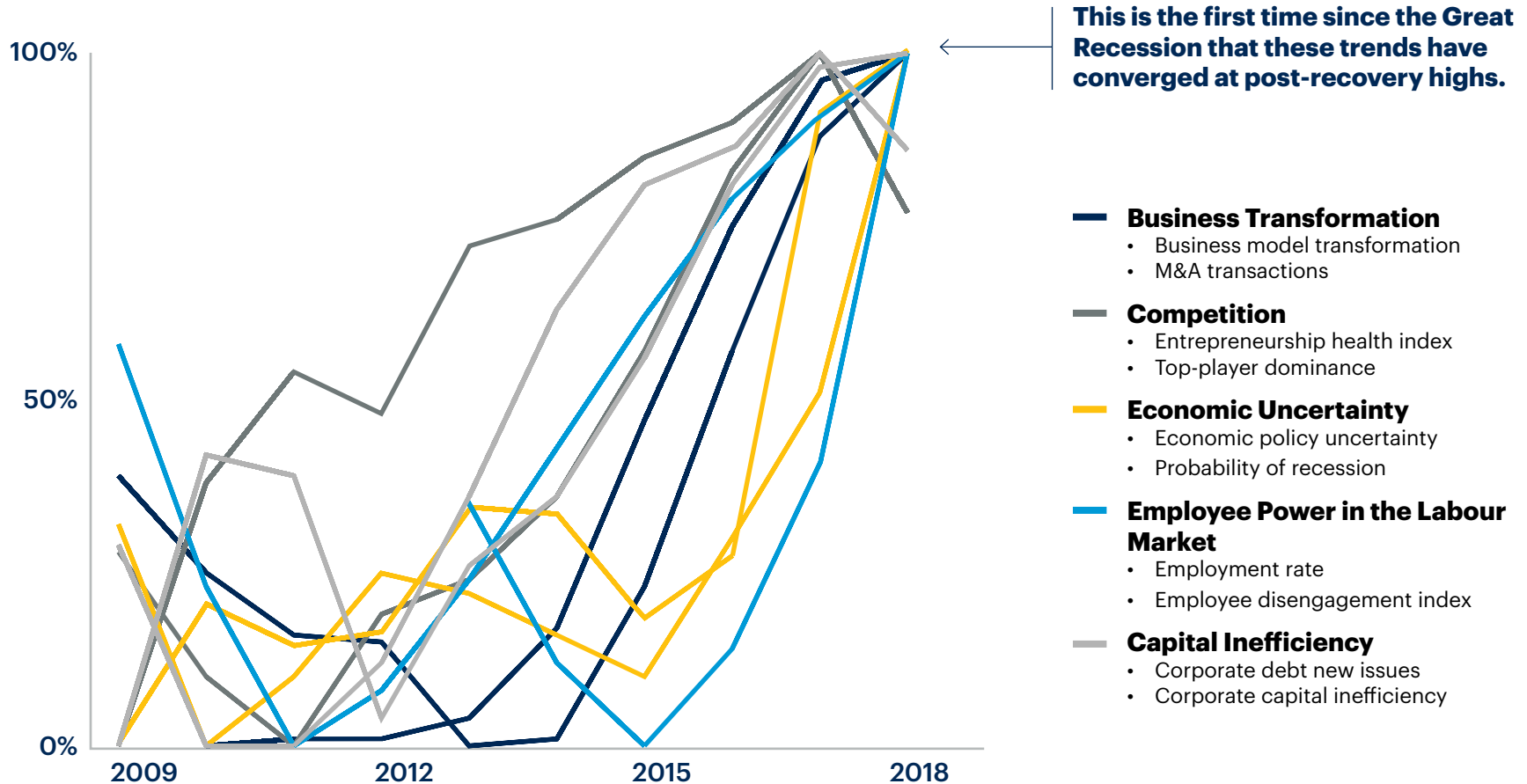
These practice-specific insights tackle the very real changes that functional leaders face in their own areas of the organisation — from the lack of critical skills and capabilities to evaluating risks and speaking data as a second language — as well as their imperative to execute against the enterprise objectives.

Best regards,



Uncertain Business Conditions Seen in Unprecedented Market Trends

Trend lines across major indexes



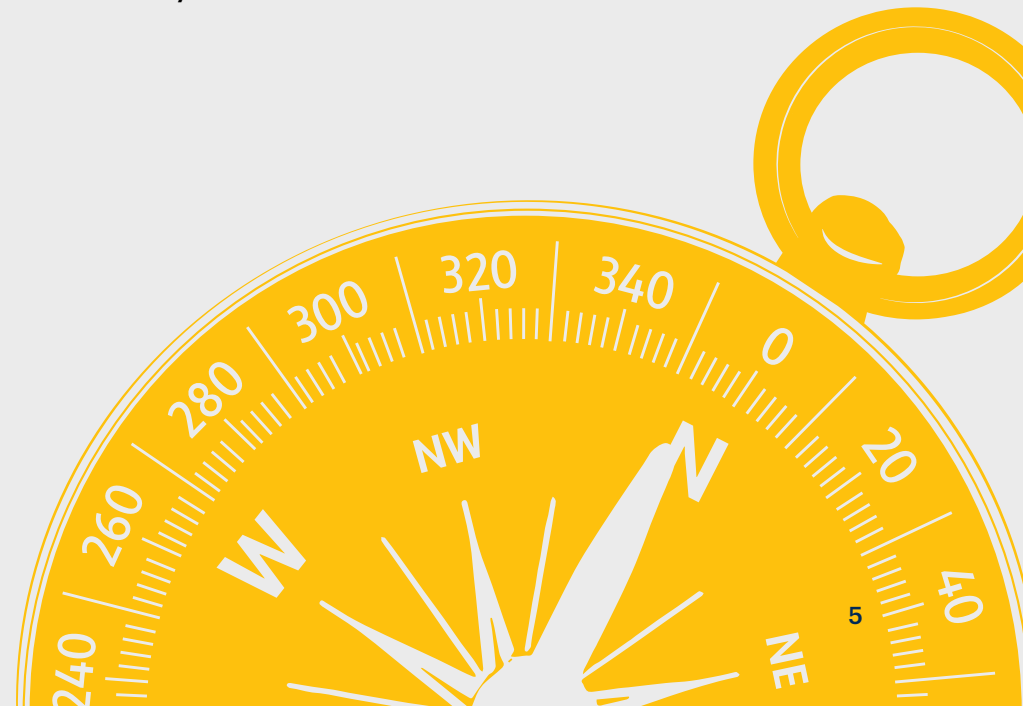
Scaled from 0% to 100%, and where 0% is the minimum while 100% is the maximum rolling three-year average reached since 2009. Trends are based on well-known indexes and reported benchmarks and both public and proprietary data.
Source: Gartner

What audit leaders should know

Today's organisations increasingly process and rely on data to make critical operational and strategic decisions. As business use of data increases, so too do the expectations for audit to incorporate data throughout its work. After many years of slow progress, audit departments have made strides in adopting data analytics. But their effective use requires a paradigm shift in how audit operates — and audit leaders need to rethink their processes to put data at the core of what they do in everything from annual audit planning to hiring. This year's research provides audit leaders with the tools to do this to ensure their work remains relevant to the board and to the business for years to come.



Malcolm Murray
VP, Team Manager
Gartner Research & Advisory



Audit

Solve the audit skills mismatch



Data-driven insights must drive action

Data has become integral to how organisations work, and the business is much more likely to act on internal audit (IA) recommendations that are data-driven and insightful. But unfortunately, investments in analytics to date have been slow to yield expected returns. Audit departments are hiring data specialists, making methodology changes to incorporate data analytics and training their teams. But only 20% report they have achieved the expected level of quality insight from their data-driven work, and only 13% of audit leaders say their team is data-literate.



70%

of chief auditors say businesses are more likely to take action on recommendations based on data-driven insights.

Source: 2019 Gartner Audit Data-Driven Insights Model

It's 4.1x harder to hire an auditor with data skills compared to an auditor in general.

Source: Gartner TalentNeuron™

Without data literacy — which Gartner disaggregates into eight discrete components — audit departments can't properly identify and source relevant organisational datasets, evaluate the quality of a dataset, recognise inappropriate or misleading data use, employ data and visualisation to tell a relevant business story, or find innovative ways to leverage data across audit work.

Internal audit struggles to deliver quality data insights

IA teams have delivered a growing quantity of data-driven findings and recommendations, but audit leaders are dissatisfied with the quality. To remain relevant and add value in an agile, data-rich environment, IA teams need to acquire new capabilities to deliver data-driven insights — findings that are material, newsworthy and actionable, not just observations based on data.



Hiring and training auditors for data skills only contributes to 33% of the total potential improvement of data-driven insights.

Source: 2019 Gartner Audit Data-Driven Insights Model

Only 4% of auditors currently employed in large metropolitan areas possess data analysis skills.

Source: Gartner TalentNeuron



Skills change so fast that only 44% of data skills, concepts and processes learnt are applied to the job.

Source: Gartner

Audit leaders are turning to hiring and training for data skills, but these solutions are expensive and can take years to yield results. Chief audit executives (CAEs) are frustrated with the lack of progress, but data analytics skills are highly sought, so qualified talent is costly to acquire and keep (existing data-savvy employees are vulnerable to poaching). Attempts to upskill also take time and investment — and rarely keep up with business conditions. For example, most audit leaders further the use of data and analytics by providing user-friendly software and quality datasets — but the benefits of such initiatives are largely maxed out already.



Reallocate data talent and resources

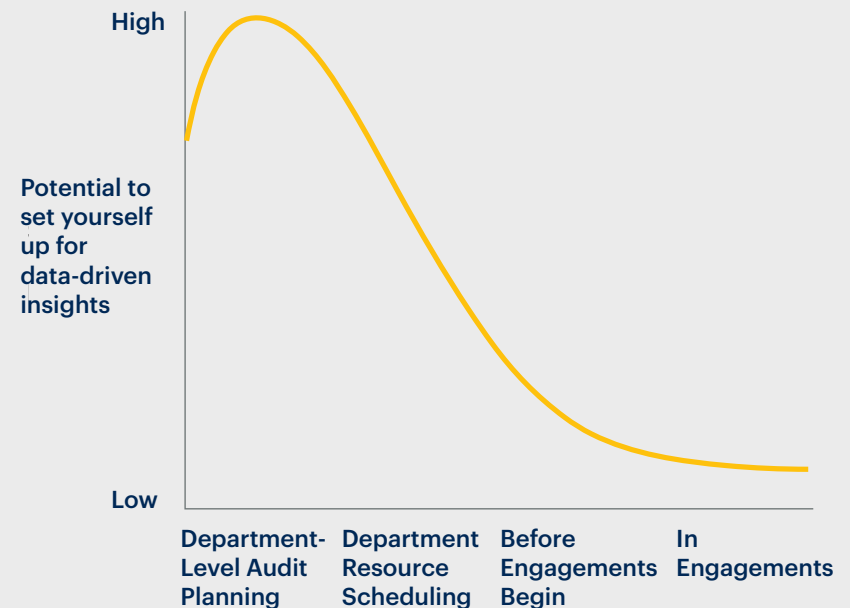
To understand this challenge, Gartner interviewed 78 CAEs from 13 countries and surveyed 119 companies from all industries, geographies and sizes. We found that there is something audit leaders can do right now, with the talent they already have, to increase audit's ability to deliver data-driven insights: They can better allocate data talent resources.

This approach is firmly within their control and — best of all — audit doesn't need to have a large company or budget to effectively allocate its talent. Audit leaders need to take three steps:

- 1** Evaluate what datasets exist that could be used to drive insights — and pull forward that evaluation to the audit planning stage, rather than wait until the plan has been set. This forethought is a basic tactic that only 9% of audit departments are now using.
- 2** Identify, allocate and exploit the scarce data capabilities that already exist in the audit function. This elevates the department's everyday level of competency while longer-term hiring and training solutions take effect.
- 3** Make sure that in unlocking hidden data literacy in existing audit staff, leaders free up and reallocate scarce specialist data resources to more advanced data work beyond audit engagements.

Time Horizon for Identifying Data Opportunities

Illustrative



Source: Gartner

The Gartner Expert View



“Audit leaders can now pursue innovative yet practical tactics to bring data into audit plans — build an ‘audit inbox,’ push auditors’ comfort zones in using data and free up specialist time to develop bots that extend audit into new areas.”

Ian Beale

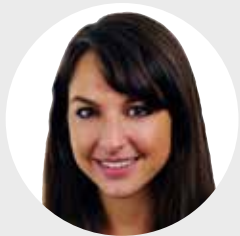
VP, Advisory



“Heads of audit once didn’t know what to look for in their next new hire, and didn’t know what to focus their training on to get their team working toward data-driven insight. Now, there’s a recipe that consists of the eight components of data literacy for audit.”

Jim Fitzmaurice

VP, Advisory



“Defining data literacy more clearly — the specific, data-related activities that your audit staff could and should conduct — will help the audit team do far more with data.”

Tegan Gebert

Sr. Director, Advisory

Moving From Insight to Action

Gartner Audit Leadership Council

Discover how Gartner supports chief audit executives

Gartner's Audit Leadership Council is the definitive research and advisory resource for internal audit decision makers. Gartner equips CAEs and their teams to transform their function across a range of key areas, including audit methodology and engagement, risk coverage, and audit function strategy and management.

In addition, Gartner's unique blend of insights, advice and tools support the success of audit leaders by:

- Building a more risk-responsive audit function
- Collaborating with risk and control groups
- Improving stakeholder communication
- Advancing data and analytics capabilities

Learn more

[Getting Audit Teams to Data-Driven Insights](#)

Learn how to unlock data skills across the audit team.

Connect with Gartner today

Gartner equips chief audit executives to make the right decisions and stay ahead of change.

Learn more about how Gartner can support your success.

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