

Interview with Dr. Rainer Lenz, June 2024

Introduction

I have the pleasure of interviewing Dr. Rainer Lenz, a global internal audit authority and the recipient of the 2023 Bradford Cadmus Memorial Award of the Institute of Internal Auditors (IIA). The Cadmus award recognizes individuals who have made outstanding contributions (in research, education, publications, or other activities) in the field of internal auditing. Rarely if ever has the award gone to a more deserving recipient. Rainer holds down a challenging Chief Internal Auditor post in industry, while simultaneously teaching internal audit and related subjects part-time at the Johannes Gutenberg University in Mainz; undertaking a rigorous schedule of speaking and educational engagements on the professional conference circuit; and writing extensively on internal audit, in both scholarly and professional journals. He is generally known by his friends and peers as the “Gardener of Governance”, and we shall explore this topic during the interview. It is my honor to interview this Renaissance Man of internal audit.

1. Good morning, Rainer. Your multi-faceted achievements to date in internal audit, as a practitioner, a theorist, and an educator, were recognized last year by the IIA’s decision to award you the Bradford Cadmus Memorial Award. I understand that your career initially focused on accounting and finance: could you describe, briefly, how you first became interested in the profession of internal audit?

A: Thank you, David, for your kind words and your interest. In the first half of my professional career I had predominantly CFO type of roles. Before becoming VP Internal Audit in 2007, I was the VP Finance, CFO Europe and Asia, providing financial leadership, control, and commercial support to all functional areas of non-US business units worth approximately EUR 1 billion in annual revenue, as leader of 20-person direct reporting team responsible for over 250 cross-functional staff.

Actavis - EUR 2 billion revenue with 10,000 staff - the global pharmaceutical company I was working for at the time was growing rapidly organically and via acquisitions. I was part of the M&A team conducting due diligence of over 30 potential targets. We acquired seven companies in six European and Asian countries in a short period of time. Hence, I call that time my “hunting period”.

2007 was a watershed year for me. In 2007, all the money was spent. At that point, top management wanted me to change role, and bring internal auditing (IA) on a higher level. Leveraging and exploiting the assets in hand became the new focus, unearthing problems in time, strengthening controls, nurturing good business practices, and help preparing the company for sale. I happily accepted that challenge. I label this latter part of my career as Chief Internal Auditor as my “gardening period”. Since 2007, my professional purpose has been to render an effective internal audit service.

2. It's easy to see how your varied professional experience would have prepared you well for your switch to internal audit. Could you elaborate on how you gravitated toward the academic side of internal auditing, with your decision to earn a PhD?

A: From day one as Chief Internal Auditor I was asking myself what good, effective internal audit looks like. In 2009, I qualified as Chartered Internal Auditor at the Chartered Institute of Internal Auditors in the UK & Ireland, later converted into the CIA, Certified Internal Auditor. Still, I had tons of questions. I came across an interesting read about internal audit from Professor Gerrit Sarens (Louvain School of Management, Belgium) at that time. I contacted him, kindly asking for further material I could study and learn from. Writing a PhD was not my intention at the beginning. Our discussions, however, developed in that direction. While I was working full-time as a Chief Audit Executive I accomplished my dissertation in parallel, like a "night job".

3. You straddle the practical and academic worlds. How do you see the mutual influence – if any exists - between these domains? And how do you see the balance in your life between practical and scholarly activities?

A: I see value in Kurt Lewin's (1945) mantra, "nothing is quite so practical as a good theory". When researching for my PhD I found Professor Jody Hoffer Gittel's *Relational Coordination Theory* well suited to the context of internal audit. I applied her theory in my practice. Hence, I regard shared goals, shared knowledge, mutual respect, and effective communication (frequent, timely, accurate, and problem-solving minded) as key ingredients of a successful, value-adding internal audit function.

My prime motivation when undertaking academic research was to better understand the world of internal audit, the world I have been living in since 2007. My academic studies helped me to reflect on the practice and foundation of internal audit. With this venture into the academic world I view myself as a "border crosser", a sort of hybrid practitioner / academic. I consider my research as part of the critical research tradition and contributing to the "practice improvement" research tradition.

I agree with one of my former professors, saying "only practice contains all theory" (Kappler 1988). I view myself as a practitioner with academic interests. I am a Chief Internal Auditor in my day job. Moreover, I enjoy lecturing at the university. In the winter term 2013-14, at the age of 50, I had a stint in academia. I was a tenure track Professor of Audit & Management Control at the Louvain School of Management. I moved back into the corporate world. In parallel to my full-time job as Chief Internal Auditor in a global company, generating about EUR 2 billion of revenues, with 6,000 staff, I have assumed a teaching assignment on governance and internal auditing in the Masters program at the Johannes Gutenberg University in Mainz.

4. A little earlier in our conversation you referred to the "gardening period" of your professional life, as a Chief Internal Auditor. Indeed, you are widely and affectionately known as the "Gardener of Governance", a phrase which was included in the title of a paper you co-authored in 2022, with Kim Jeppesen, Professor of Auditing at Copenhagen Business School. Please explain what this concept or framework or analogy (however it might be characterized) involves.

A: The Lenz-Jeppesen article from 2022 has had around 30,000 reads of the original English language paper, and is by far the most-read article of all time in the EDPACS journal (part of Taylor & Francis). There will eventually be more than 25 translations. I suggest the leitmotif of “The Gardener of Governance: Our Nature is Nurture” as the purpose of internal auditing. In other words, in essence, I posit the purpose of internal auditing to be preventing governance failure, typically caused by unchecked power and/or inadequate accountability.

I position internal audit as a pillar in the corporate governance ecosystem. When identifying critical risks and themes in an organization, “soft factors”, that is, the behavioral dimension, the communication, and relationships with key stakeholders, including management and staff, are fundamentally important since internal auditing has primarily (only) influential power and may or may not become effective through others, based on the acceptance and adoption of internal auditing recommendations. Shared knowledge helps to achieve common objectives. What matters is practical influence and possible improvement. The effectiveness of internal auditing can be secured and enhanced by adequately including stakeholders in the process. I picture the internal auditing process as a complex coordination challenge.

Gardening suggests that the role of internal auditing has a positive influence in nurturing effective governance within organizations, which will be of value to the organization and its stakeholders. I view the “Gardener of Governance” as an apt and humble metaphor well suited to the role of internal auditors, who have no formal authority as leaders without a title. The outcome of gardening is a beautiful blend of nature (the environment in which we operate) and nurture (the way we care for, protect, nourish and support).

5. I understand that you have a book forthcoming, written with Barrie Enslin, that will elaborate the details of the “Gardener of Governance” concept. Please provide an insight into what we can expect from the book.

A: I met Barrie first at the ECIIA 2019 conference in Luxembourg. We've stayed connected since then. We are co-authoring a book for internal audit practitioners. This is our only book about internal auditing and the profession. We are internal audit practitioners, and this book is for other internal audit practitioners who wonder what modern, effective internal auditing looks like. For both of us, this has been our leading question since entering the profession.

Barrie founded his internal audit service company, Pro Optima Audit Services in 1997. Barrie has performed most of his projects on the African continent. After a career in Chief Financial Officer and Managing Director type of roles, I joined the profession in 2007. Since then, I have performed more than 300 projects in more than 50 countries all around the world (except Africa) as Chief Internal Auditor of three different global organizations.

We decided to use the popular 2022 “Gardener” article as a reference, with the suggested 5 Ps, meaning the five paths for the betterment of internal auditing: People, Public, Profession (Purpose), Prosperity (Performance), and Planet. We offer hands-on and more detailed content and guidance for internal audit practitioners. In addition to technical skills, internal auditors need empathy, a sound political compass, and good communication skills to be a valuable function with an

organization. We offer real life examples, stories, and exercises for the concrete behavior of internal auditors in the book.

With a blend of theoretical insights and practical guidance, we aim to challenge conventional wisdom and encourage auditors to adopt innovative, effective audit practices that can contribute significantly to a company's success. Many will find this book unorthodox, maybe somewhat extreme, which the conservative reader may find challenging.

6. I for one am looking forward to reading your and Barrie's book. As I'm very aware, of course, we co-authored together, earlier in 2024, a paper discussing the IIA's revised *Global Internal Audit Standards*. We both expressed some reservations about the prescriptiveness of the standards. Could you talk a little about your thoughts on this topic?

A: It has been a pleasure and privilege co-authoring the Lenz-O'Regan 2024 article with you. The *Global Internal Audit Standards* encompass 120 pages. In today's fast-paced world characterized by VUCA (Volatility, Uncertainty, Complexity, and Ambiguity) and BANI (Brittle, Anxious, Nonlinear, and Incomprehensible), such detailed and compliance-oriented Standards can seem overwhelming. I would have preferred and recommended much shorter and truly principles-based standards. From my perspective, it's important to note, however, that the actual changes from the previous version of the standards are not as extensive as the length of the document might suggest. While the new standards may appear more complex and wordier, the core updates are relatively few.

In this 2024 article, I alert readers to the intended inclusion of topical requirements as mandatory components of the standards. Moreover, I suggest de-emphasizing both attributes of "independence" and "objectivity". I argue that there are more distinct traits of the internal auditor, truly unique selling propositions. I introduce the "Trust Triangle", with the components of authenticity (the real you), empathy (the key to people's heart), and logic (sound reasoning and judgment), as the pinnacle of my pyramid of competences.

I would be delighted if our joint article is an encouragement for constructive discussion in the professional community and a starting point for future scholarly studies.

7. Finally, are you optimistic about the future of the internal audit profession, and where do you foresee internal auditing in 10 or 20 or 30 years' time?

A: This is a question The IIA has been researching since 2023 in the project "VISION 2035 Creating Our Future Together". I was invited to contribute to the Future Foresight workshop in June 2023. Since that workshop, the project has interviewed, conducted focus groups, and surveyed over 7,000 internal auditors and stakeholders. I am curious to learn about the fresh insights forthcoming in July 2024 when addressing the two key questions at the onset of the project, one year ago: 1. What will the future of the Internal Audit profession look like? 2. How will the role of the Internal Audit profession evolve, and what strategies are needed to enhance its value?

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Little surprise, I recommended The IIA to build on my suggested metaphor of the effective internal auditor, *The Gardener of Governance: Our Nature is Nurture*. I see much value in positioning internal audit to prevent governance failure.

I don't know whether any of my ideas will be considered. I am a regular speaker at company events and conferences. In 2024, I'm speaking about the theme that "there is no need for humans who behave like robots". Internal auditing is still searching for an identity and a unique selling proposition (USP) to play a more important role in the governance debate. The present purpose sounds a little robotic. That explains why there has not been one practitioner to date who could cite the 28 words long purpose of IA according to the new standards.

To do better, to flourish, I recommend the profession to choose a stickier idea, simple, unexpected, concrete, credible, emotional, and inviting to story-telling. I recommend the profession to rethink what it means to be human. I recommend that the profession shifts focus towards authenticity and empathy, and away from more prescriptive checklists and topical requirements. The time is ripe to better sort and understand what the machine is good at, and what humankind is good at. I see the future of internal audit in the pioneering zone, dealing with complex and chaotic subject matters. If we can step up to the plate and render value, then the future of the profession can be rosy. In succeeding there, we must understand and strengthen the must-have skills of an effective internal auditor.

The future is unknown. Much is in our hands which way the profession will take. Most obstacles are self-inflicted. I suggest less navel-gazing about independence and objectivity. Let's break free from the constraints and limitations of the conceptual past of internal auditing: "Let internal auditors go surfing!"

On that positive note, thank you Rainer for sharing your insights and expertise. And all warm wishes for your future endeavors, including the success of your forthcoming book.

Notes:

(1) Rainer's PhD thesis is publicly available:

Lenz, R. (2013), *Insights into the effectiveness of internal audit: a multi-method and multi-perspective study*, Université catholique de Louvain - Louvain School of Management Research Institute, Doctoral Thesis

<https://drrainerlenz.wordpress.com/wp-content/uploads/2013/03/lenz-r.-2013-diss..pdf>

(2) Professor Gerrit Sarens's laudatory speech at Rainer's public defense of his thesis is found at:

<https://drrainerlenz.wordpress.com/wp-content/uploads/2020/04/2013-02-08-gerrits-laudatory-speech.pdf>

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(3) The traction gained by Rainer's published work, including 1,200 citations, a h-index of 12, and over 50 translations to date, is available from Google Scholar:

<https://scholar.google.com/citations?user=zFW6m6gAAAAJ&hl=de&oi=ao>