

# AGILE STRATEGY DEVELOPMENT AND IMPLEMENTATION FOR INTERNAL AUDIT DEPARTMENTS

Gabriel Dickey<sup>\*</sup>, William E. Wilcox<sup>\*\*</sup>, Ryan Cahalan<sup>\*\*\*</sup>

<sup>\*</sup> Corresponding author, University of Northern Iowa, Cedar Falls, the USA  
Contact details: University of Northern Iowa, 1305 West 27th Street, Cedar Falls, IA 50614, the USA  
<sup>\*\*</sup> University of Northern Colorado, Greeley, the USA  
<sup>\*\*\*</sup> Central Washington University, Ellensburg, the USA



## Abstract

**How to cite this paper:** Dickey, G., Wilcox, W. E., & Cahalan, R. (2022). Agile strategy development and implementation for internal audit departments. *Corporate Ownership & Control*, 19(4), 66–71.  
<https://doi.org/10.22495/cocv19i4art6>

Copyright © 2022 The Authors

This work is licensed under a Creative Commons Attribution 4.0 International License (CC BY 4.0).  
<https://creativecommons.org/licenses/by/4.0/>

**ISSN Online:** 1810-3057  
**ISSN Print:** 1727-9232

**Received:** 31.03.2022  
**Accepted:** 05.08.2022

**JEL Classification:** M4, O3, O4  
**DOI:** 10.22495/cocv19i4art6

A rapidly changing business environment is creating pressure on internal audit departments to adopt emerging technologies and implement new processes that can keep pace with the rate of change. Structural mechanisms such as Kanban and Scrum provide potential solutions for project management; however, strategy development and implementation must also be agile. The authors use a combination of prior research and industry experience to develop a potential solution for chief audit executives to facilitate agility within their internal audit departments. This potential solution is the development of a set of Agile Strategy Development and Implementation (ASD&I) teams. The article also provides a roadmap for how ASD&I teams can be incorporated into practice. This research is particularly useful for both practitioners and researchers who are looking for innovative solutions to relevant business problems. The thematic nature of the research provides many potential opportunities to implement and examine the effectiveness of these agile strategy development and implementation teams.

**Keywords:** Strategic Agility, Firm-Centric Teams, Internal Audit

**Authors' individual contribution:** Conceptualization — G.D., W.E.W., and R.C.; Methodology — G.D., W.E.W., and R.C.; Writing — Original Draft — G.D., W.E.W., and R.C.; Writing — Review & Editing — G.D., W.E.W., and R.C.; Supervision — G.D.

**Declaration of conflicting interests:** The Authors declare that there is no conflict of interest.

**Acknowledgements:** We would like to thank Richard Monfort and Rod & Heidi Foster for their generous financial contributions to our research efforts.

## 1. INTRODUCTION

Internal audit departments face a dynamic business environment marked by demands for a significantly faster pace of insight generation and the use of new technologies to meet these demands. The move towards virtual work arrangements may also present challenges for chief audit executives (CAEs) who are looking to develop and implement new strategic initiatives. Organizational agility (or “agility”) has been identified as a way that organizations can thrive in a dynamic business environment yet there continues to be significant challenges in cultivating an agile organizational culture (Dickey & Wilcox,

2021). Structural mechanisms such as Kanban and Scrum have emerged as potential solutions for organizations looking to introduce agility (Newmark, Dickey, & Wilcox, 2018). These mechanisms are most often utilized as a team-based project management technique. Organizational agility requires not only well-executed projects but also effective strategy development to identify the most imperative strategic initiatives and make quicker decisions about when to continue with a project and when to terminate a project due to infeasibility, as seen in an audit litigation warning model to assess litigation risks (Lu, Lin, & Gu, 2022).

Due to the significant research regarding the importance of agility, CAEs know they want it; however, there is a lack of research on how to actually facilitate agility. The strategy development and implementation process is an overlooked opportunity to facilitate agility. Using a combination of prior research and industry experience, we develop a potential solution to a relevant business problem frequently encountered by internal audit departments. Our potential solution is the design of a structural mechanism for the strategy development and implementation process, which we term “Agile Strategy Development and Implementation” (ASD&I) teams. Additionally, we provide a possible roadmap that CAEs can use to incorporate ASD&I teams into their internal audit departments.

The rest of the article is structured as follows. In Section 2, we begin with a literature review that defines agility, highlights its importance for internal audit departments, and identifies certain strategic issues encountered by internal audit departments. Then, our study framework, Section 3, provides an overview of how ASD&I teams can be used as a structural mechanism to facilitate agility for an internal audit department. Section 4 provides a detailed roadmap that can be used by internal audit departments to incorporate ASD&I teams into the strategy development and implementation process. Section 5 is a discussion of the potential challenges that may be encountered by internal audit departments. Finally, the conclusion, Section 6, provides an overview of the findings and highlights potential future opportunities for practitioners and researchers.

## 2. LITERATURE REVIEW

The literature review focuses on understanding agility, the agility imperative in internal audit departments, and the strategic initiatives and role of agility in internal audit departments.

### 2.1. What is agility?

Organizational agility is the firm’s capability to sense the changes in the environment and respond efficiently and effectively to them (Felipe, Roldán, & Leal-Rodríguez, 2016). In the strategic management field, dynamic capabilities such as organizational agility are considered to be paramount in the search for competitive advantage (Côrte-Real, Oliveira, & Ruivo, 2017; Lee, Sambamurthy, Lim, & Wei, 2015). Agility originated as a project management philosophy in the software industry and has been described as an organization’s ability to paradoxically be both stable (resilient, reliable, and efficient) and dynamic (fast, nimble, and adaptive) (Aghina, De Smet, & Weerda, 2015; Gunsberg et al., 2018). The basic premise of agility is that in order to create sustainability, organizations must be able to adapt to an ever-changing environment (Newmark et al., 2018). Agile organizations are able to rapidly change and adapt in response to changes, which is “fundamentally necessary for organizations facing changing conditions” (Cegarra-Navarro, Soto-Acosta, & Wensley, 2016, p. 1544).

Agile organizations have strong cultures of proactive collaboration, continuous improvement,

and innovation, allowing them to respond to environmental forces quickly and effectively. Significant elements of bottom-up participation in decision-making are integral because a truly agile organization is one that relies on shared leadership rather than management (Newmark et al., 2018).

The transition to an agile culture requires changes in mindsets, skills, behaviors, and structure (Gibbons, 2015). Although the benefits of agility have been well documented, there continues to be limited discussion of the structures that organizations can use to foster and cultivate agility (Dickey & Wilcox, 2021). Developing and examining specific structures designed to introduce agility is an important research component that adds context and nuance to the theory (Stormi, Laine, & Korhonen, 2018). Further, the structural and procedural changes must provide opportunities for bottom-up decision-making that can cultivate the employee-vested and collaborative environment that is imperative for an organizational transformation to succeed (Dickey & Wilcox, 2021). By expanding participation in strategy design and execution, organizations can strengthen commitment and enhance bottom-up feedback. This commitment and feedback create a foundation where agile mindsets, skills, and behaviors can be developed.

### 2.2. The agility imperative in internal audit

In a 2018 survey of 636 CAEs conducted by the Institute for Internal Auditors, roughly two-thirds stated that agility will be very important in the future; however, only 45% said their internal audit departments are very or extremely agile and the ongoing pandemic has only heightened the need for agility (McCollum, 2018). Technological advances such as automation and advanced data analytics are key components necessitating the drive towards agility for internal audit departments. Incorporating agile principles provides a more consistent approach and reduces the amount of poorly managed initiatives and projects (Kaller, 2020). When executed properly, agility allows team members to take more responsibility and ownership of their work, thus creating greater individual autonomy. Agility also includes high levels of transparency producing a proactive and collaborative environment where executives can more easily identify impediments to progress and evaluate the success of strategic initiatives quicker.

### 2.3. Strategic initiatives and the role of agility for internal audit departments

Agility is quickly emerging as a potential solution for CAEs looking to adapt and thrive in the current business environment. In a recent article, Lehmann (2020) emphasizes the critical role that agility plays in the strategic development and implementation process for internal audit departments and stresses the importance of defining strategic objectives as part of this process. Many of the strategic initiatives facing CAEs involve rapidly evolving technology and the organization’s use of that technology to harness its data, in order to create the information necessary for long-term success. Research performed by Protiviti found internal audit departments have been slow in their implementation of advanced

technologies such as process automation, continuous monitoring, data visualization, artificial intelligence, machine learning, and robotics process automation (Lehmann, 2020). Implementation of advanced technologies is made more difficult when organizations and teams are not agile, therefore internal audit departments that are not agile will likely struggle and fall further behind those departments who are.

Integrating advanced automation technologies into practice is not only effective in streamlining workflows and reducing tedious tasks but also brings the potential for internal audit departments to become a decision-enabling conduit for organizations. By successfully utilizing an organization's data as an asset, data can be converted into information that facilitates better decision-making. Internal audit departments that have a broad understanding of an organization's personnel and processes, in addition to having critical involvement in identifying and implementing new technological initiatives, should be well positioned to unlock this value. Collins and Lanz (2019) discuss how using agile principles help executive management teams and boards of directors realize the potential value of managed data to the organization's mission. Agile principles convince executives and directors by reducing costs, maximizing opportunities to succeed, and enabling an organization by reacting quickly to change.

Lehmann and Thor (2020) highlight certain challenges associated with innovation, particularly in risk-averse professions such as accounting and auditing. They note that governance will continue to be a key strategic objective for internal audit departments, and good governance depends on the internal audit department's ability to analyze risks, evaluate control effectiveness, and identify opportunities for the organization to develop and enhance organizational processes. While these roles have always been critical to an organization's sustainability and long-term success, internal audit departments are now being asked to obtain and deliver insights faster than has been possible under traditional models. Agility provides a potential solution for this increase in operational pace (Lehmann & Thor, 2020).

### 3. STUDY FRAMEWORK

Agile internal audit departments need agile team members. Team members need not only an agile mindset but also agile skills that translate into agile behaviors, which ultimately create an agile culture. The transformation to an agile culture also requires structural changes. Agile project management mechanisms such as Kanban and Scrum seek to develop these skills by using processes designed to enhance communication and create flexibility while simultaneously shortening project timeframes and reducing costs. These mechanisms can be very effective for projects with more easily identifiable outputs and deadlines. For internal audit departments looking to facilitate agility in strategy design and execution, the incorporation of ASD&I team(s) provides a potential solution.

The ASD&I team concept is taken from a certified public accounting firm who developed a set of ASD&I teams as a structural mechanism to

facilitate agility (Dickey & Wilcox, 2021). The team structure gave the firm's employees a direct stake in executing the organization's vision and mission. An ASD&I team was created for each of the organization's five core organizational tenets of clients, culture, growth, brand, and people. Employees from every level (except first-year staff) are involved in the strategy design and execution, which allows for the near real-time feedback and collaboration that is necessary when operating in a dynamic business environment.

The teams began by developing overall objectives and a set of goals designed to meet those objectives. Significant participation was required from the chief executive officer (CEO) in the early phases of the teams' development. The CEO acted as a centralized leader and was responsible for virtually all team functions such as setting agendas, meeting operationalization, directing processes, and creating accountability. After modeling the appropriate mindset, skills, and behaviors, and establishing formalized processes, the CEO transitioned to a supportive and functional coaching role that fostered team member empowerment and shared leadership.

This use of ASD&I teams provides a potential roadmap for CAEs looking to facilitate agility as part of the strategy development and implementation process. The primary objective of ASD&I teams is to develop the necessary agile mindsets, skills, and behaviors while simultaneously enhancing the collaborative, innovative, and problem-solving capabilities of the organization (department). Given internal audit departments vary significantly in size, structure, resources, and capabilities, the use of the ASD&I team concept will likely look different for each internal audit department. However, the overall structure, processes, and phases of development should remain relatively consistent. Therefore, rather than forming a separate team for each departmental tenet, we identify some potential categories, objectives, and initiatives that a CAE may consider when using an ASD&I team(s) to facilitate agility within an internal department<sup>1</sup>.

## 4. RESEARCH RESULTS

The following section uses prior research and industry experience to develop three potential phases of ASD&I team formation for CAEs looking to utilize ASD&I teams as part of their internal audit department's strategy development and implementation process.

### 4.1. Phases of ASD&I team formation

#### 4.1.1. Phase 1: Team formation

The first phase of ASD&I is the team formation phase. During this phase, CAEs will play a significant role in nearly all team functions. These responsibilities provide an opportunity for CAEs to model the appropriate agile mindsets, skills, and behaviors. CAEs may use this process as

<sup>1</sup> Internal audit departments can use one ASD&I team and divide the responsibilities for each critical initiative identified or use separate teams for each critical initiative. CAE's must determine which approach is more effective based on an internal department's resources and constraints. Examples of categories, objectives, and initiatives are outlined in the Appendix.

an opportunity to revisit the department's vision, mission, and values. Phase one consists of robust dialogue providing team members with an opportunity to participate in developing the department's strategic categories, objectives, and initiatives (see examples in the Appendix). This phase also gives team members the ability to share potential solutions and express concerns. If executed properly, the results will be improved levels of communication, trust, and commitment.

#### 4.1.2. Phase 2: Team member empowerment

The second phase is team member empowerment, where disciplined procedures are developed to execute the strategic objectives and initiatives. Specific, measurable, actionable, relevant, and timely (SMART) goals are identified, and the team members use formalized processes to accomplish these goals. A tracking and feedback tool to measure progress such as the one in Figure 1 can be used.

Figure 1. SMART goal tracking tool

SMART goal	Responsible person	Resources needed	Performance milestones	Timeframe	Corrective actions
Goal 1					
Goal 2					

During the second phase, the CAE should focus on transitioning into more of a supportive and functional coaching role thus allowing the team members to handle more responsibilities. The CAE provides guidance and intervenes where necessary but begins to empower team members by allowing them to take accountability and ownership of goal identification and execution. This transition to more of an oversight role provides the CAE with a direct opportunity to identify individual strengths that can be leveraged and areas of weakness that can be addressed.

#### 4.1.3. Phase 3: Shared leadership

Shared leadership has been defined as "a spirited and interactive influence process among individuals for which the objective is to lead one another to the achievement of group and organizational goals" (Dickey & Wilcox, 2021, p. 168). The general idea of shared leadership is that leadership responsibilities are handled by the team rather than one individual. Shared leadership emerges once the internal audit team members are individually and collectively capable of identifying problems, generating ideas for solutions, collaborating with others, and developing processes that allow for potential solutions to be implemented and completed. By developing a culture of shared leadership, CAEs begin to unlock the true value and full potential of an internal audit department. This extends past a team member empowerment culture, where team members are simply given greater autonomy in task identification and performance. In a shared leadership environment, the team members possess not only task-related skills, but also think independently and have a good understanding of problem and solution identification processes within the department and organization, thus giving rise to a truly agile culture. This agile culture reinforces the mindsets, skills, and behaviors that are reflected in agile organizations.

## 5. DISCUSSION OF THE RESULTS

### 5.1. Potential challenges for ASD&I

We see two challenges that many internal audit departments face incorporating the use of an ASD&I team(s). The first challenge is the alignment of the internal audit department's mission with that of

the overall organization. It is highly unlikely that non-executive members of the internal audit department will be involved in the strategy development and implementation process for the organization. These responsibilities will likely be handled by the CAE.

The second challenge is related to resource utilization. Many internal audit departments outsource certain elements of their internal audit function to third-party service providers such as the Big Four accounting firms and Protiviti. These providers allow internal audit departments to be more agile by supplementing internal resources as needed, particularly during time-intensive projects with critical deadlines. CAEs may want to consider including certain team members from these providers in the ASD&I process. This allows the service organizations to have a better understanding of the strategic objectives and initiatives of the department and gives CAEs the ability to leverage the skills and expertise of these service providers.

### 5.2. Research contributions and limitations

This research provides three significant contributions to both practice and theory; however, it is also subject to certain limitations. First, the design of ASD&I teams is unique to the literature and provides a potential solution for internal audit departments to facilitate agility in the strategy development and implementation process. Previous studies and literature on agility are limited to techniques that are more suited to project management. Second, the research provides a potential roadmap for CAEs to follow to effectively incorporate ASD&I teams into the strategy development and implementation process. Third, academic research has been criticized for its lack of relevancy and impact in addressing problems of business and society (Glick, Tsui, & Davis, 2018). This research identifies a relevant business problem and uses existing research and experience to propose a potential solution and roadmap to address the business problem.

Although we use a combination of prior research on agility and industry experience to create a vision for CAEs to incorporate ASD&I teams, the research is limited by a lack of evidence of the effectiveness of the ASD&I teams. This lack of

evidence provides significant opportunities for future researchers to examine the overall effectiveness of ASD&I teams as well as evaluate contextual evidence for the roadmap to ASD&I team formation outlined in this article.

## 6. CONCLUSION

Agility is quickly becoming an imperative for internal audit departments that want to thrive in the current dynamic business environment. Facilitating agility is a difficult process; however, as creating an agile culture requires changes in mindsets, skills, and behaviors. Structures to introduce agility are necessary for these changes to occur. Most structural mechanisms designed to facilitate agility are typically centered around project management, however, the use of an ASD&I team(s) provides an opportunity for CAEs to develop

an agile culture. ASD&I teams require significant near-term involvement from CAEs in the early phases to model the appropriate agile mindsets, skills, and behaviors while formalized processes and procedures are established. The longer-term results of using an ASD&I team are greater employee empowerment and ultimately a more agile culture marked by shared leadership.

The article uses prior research and industry experience to provide practitioners, namely CAEs, with a potential solution to facilitate agility in their internal audit departments and develops a possible roadmap for CAEs to follow. The article also provides researchers opportunities for future research on the roadmap to ASD&I team formation as well as greater research development on agility in the strategy development and implementation process for not only internal audit departments but a wide variety of companies and industries.

## REFERENCES

1. Aghina, W., De Smet, A., & Weerda, K. (2015, December 1). Agility: It rhymes with stability. *McKinsey Quarterly*. Retrieved from <https://www.mckinsey.com/business-functions/people-and-organizational-performance/our-insights/agility-it-rhymes-with-stability>
2. Cegarra-Navarro, J.-G., Soto-Acosta, P., & Wensley, A. K. (2016). Structured knowledge processes and firm performance: The role of organizational agility. *Journal of Business Research*, 69(5), 1544–1549. <https://doi.org/10.1016/j.jbusres.2015.10.014>
3. Collins, V., & Lanz, J. (2019). Managing data as an asset. *The CPA Journal*, 89(6), 22–27. Retrieved from <https://www.cpajournal.com/2019/06/24/managing-data-as-an-asset/>
4. Côte-Real, N., Oliveira, T., & Ruivo, P. (2017). Assessing business value of Big Data Analytics in European firms. *Journal of Business Research*, 70, 379–390. <https://doi.org/10.1016/j.jbusres.2016.08.011>
5. Dickey, G., & Wilcox, W. E. (2021). Evaluating the effectiveness of firm-centric teams as a structural mechanism to introduce organizational agility. *Accountancy, Business, and the Public Interest*, 20, 164–183. Retrieved from <http://visar.csustan.edu/aaba/DickeyWilcox2021.pdf>
6. Felipe, C. M., Roldán, J. L., & Leal-Rodríguez, A. L. (2016). An explanatory and predictive model for organizational agility. *Journal of Business Research*, 69(10), 4624–4631. <https://doi.org/10.1016/j.jbusres.2016.04.014>
7. Gibbons, P. (2015). *The science of successful organizational change: How leaders set strategy, change behavior, and create an agile culture*. New York, NY: Pearson Education LTD.
8. Glick, W. H., Tsui, A., & Davis, G. F. (2018, May 1). The moral dilemma of business research. AACSB. Retrieved from <https://www.aacsb.edu/insights/articles/2018/05/the-moral-dilemma-of-business-research>
9. Gunsberg, D., Callow, B., Ryan, B., Suthers, J., Baker, P. A., & Richardson, J. (2018). Applying an organisational agility maturity model. *Journal of Organizational Change Management*, 31(6), 1315–1343. <https://doi.org/10.1108/JOCM-10-2017-0398>
10. Kaller, A. K. (2020, September 1). Agile auditing simplified. *Internal Auditor*. Retrieved from <https://internalauditor.theiaa.org/en/articles/2020/september/agile-auditing-simplified/>
11. Lee, O.-K., Sambamurthy, V., Lim, K. H., & Wei, K. K. (2015). How does IT ambidexterity impact organizational agility? *Information Systems Research*, 26(2), 398–417. <https://doi.org/10.1287/isre.2015.0577>
12. Lehmann, D. (2020). Building a next-generation internal audit organizational structure. *The CPA Journal*, 90(10), 86–87. Retrieved from <https://www.cpajournal.com/2020/12/22/building-a-next-generation-internal-audit-organizational-structure/>
13. Lehmann, D., & Thor, M. (2020). The next generation of internal audit: Harnessing value from innovation and transformation. *The CPA Journal*, 90(1), 60–61. Retrieved from <https://www.cpajournal.com/2020/02/18/the-next-generation-of-internal-audit/>
14. Lu, Y.-H., Lin, Y.-C., & Gu, F.-C. (2022). Decision information for auditors to assess litigation risk: Application of machine learning techniques. *Corporate Ownership & Control*, 19(3), 133–146. <https://doi.org/10.22495/cocv19i3art10>
15. McCollum, T. (2018). Internal disruptors: New pulse report says agility, talent, and innovation are key to internal audit's future relevance. *Internal Auditor*. Retrieved from [https://theiaa.texterity.com/ia/april\\_2018\\_internal\\_auditor/MobilePagedReplica.action?pm=1&folio=11#pg13](https://theiaa.texterity.com/ia/april_2018_internal_auditor/MobilePagedReplica.action?pm=1&folio=11#pg13)
16. Newmark, R. L., Dickey, G., & Wilcox, W. E. (2018). Agility in audit: Could scrum improve the audit process? *Current Issues in Auditing*, 12(1), 18–28. <https://doi.org/10.2308/cia-52148>
17. Stormi, K. T., Laine, T., & Korhonen, T. (2019). Agile performance measurement system development: An answer to the need for adaptability? *Journal of Accounting & Organizational Change*, 15(2), 231–256. <https://doi.org/10.1108/JAOC-09-2017-0076>

**APPENDIX. AGILE STRATEGY DEVELOPMENT AND IMPLEMENTATION:  
SAMPLE STRATEGIC CATEGORIES, OBJECTIVES, AND INITIATIVES**

**Governance**

**Sample objective:** *Provide exceptional insights and foresights into the organization's governance processes*

**Sample initiatives:**

1. Evaluate the risk identification and mitigation processes (e.g., strategic risk, governance risk, fraud risk, and information technology risk).
2. Identify and evaluate critical processes (use prior audit results where applicable).
3. Consideration of agile project management mechanisms (e.g., Scrum) for time-sensitive projects with critical deadlines.

**People**

**Sample objective:** *Provide people with opportunities for individual and collective success*

**Sample initiatives:**

1. Customize a growth strategy by individual to enhance capabilities.
2. Intentionally develop both technical expertise and relational skills.
3. Identify gaps in department skill sets and determine where internal development or outsourcing is more appropriate.
4. Evaluate workloads on a macro (department) and micro (individual) level to assess where opportunities are for either flattening the curve or leveraging third-party service providers.

**Technology**

**Sample objective:** *Incorporate the use of new technologies into the organization*

**Sample initiatives:**

1. Evaluate the effectiveness of the organization's current management system (leverage prior audits where necessary).
2. Determine where new technologies are most necessary.
3. Identify areas where new technologies would add the most value.
4. Determine impediments to technological implementation and identify potential solutions.