



# Supplier Governance

## Managing Risk in Medium Size Companies

David Meyers

Director – Product Regulatory Affairs  
Tennant Company

2015 - Case Study

**MetricStream**  
**GRC**  
**SUMMIT 2015**  
May 11-13, 2015  
ARLINGTON, VA  
WASHINGTON, DC AREA

# Agenda

1. Tennant Overview
2. Organizational Structure: Lines of Business & Key Stakeholders
3. Business Challenge: Supply Chain Transparency
4. GRC Program Objectives & Strategies
5. Overcoming Business Challenges
6. Technology as an Enabler
7. Successes & Benefits
8. Key Learnings & Best Practices
9. Audience Questions & Discussion

# Tennant Company Overview

Founded:

**1870**

2014 Revenues:

**\$822M**

2014 Employees:

**3,087**

Manufacturing Sites:

**7**

NYSE Symbol:

**TNC**



## OUR VISION

We will lead our global industry in sustainable cleaning innovation that empowers our customers to create a cleaner, safer and healthier world.

### KEY FACTS

- 69 consecutive years of cash dividends
- 43 consecutive years of increase in annual cash dividend payout

### AWARDS

- 2014 IDEA Award – B5 Battery Burnisher  
*International Design Excellence Awards*
- 2013 GOOD DESIGN Award – T12 Rider Scrubber  
*Industrial Design Excellence*
- 2012 Australian Business Awards – Orbio 5000-Sc  
*Top Honours*
- 2011 R&D 100 Award Winner – 500ze  
*R&D Magazine*
- 2009 Manufacturer of the Year Award  
*ABM Industries, Inc.*
- 2007 & 2008 200 Best Small Companies  
*Forbes*
- 2007 & 2014 America's Most Trustworthy Companies  
*Forbes*



# Organizational Structure

## Leadership

- Corporate Headquarters in Minneapolis, Minnesota
- Senior Management Team comprised of CEO + SVPs by function
- Compliance responsibilities are distributed among the functions

## Business Lines

- Mechanized cleaning equipment, detergent-free and other sustainable cleaning technologies, aftermarket parts and consumables, equipment maintenance and repair service, specialty surface coatings, and business solutions such as financing, rental and leasing programs.
- Tennant sells products directly in 15 countries and through distributors in more than 80 countries.
- Geographically aligned business units: Americas, EMEA, APAC

## Key Stakeholders:

- Customers, Investors, Employees, Supply Chain
- Governments, Communities, NGOs, Trade Organizations & Partners



# Business Challenge: Supply Chain Transparency

## People

- Hiring, assimilating, and retaining top talent more difficult in growing economy
- **Must rely less on tribal knowledge without compromising culture**

## Processes

- Rapid growth in emerging markets stretches existing processes
- Roles and responsibilities often overlap and require clarity
- **New processes required to manage exponential increase in available data**

## Systems

- **Enterprise-wide ERP-based solutions giving way to stand-alone cloud-based solutions**
- Proliferation of these externally-hosted offerings will result in significant data integration gaps in the future

## Resources

- **Corporate resources as % of sales must decrease in spite of growing regulatory compliance requirements**

# GRC Program Objectives & Strategies

## Conflict Minerals – Rule 13p-1 under the Securities Exchange Act

### Program Objectives

- **Establish infrastructure to comply with Rule 13p-1 annually**
- Establish peer group to share best practices as they emerge
- Lay foundation for future “supply chain transparency’ compliance requirements

### Program Strategies

- Invest in systems vs. FTEs to automate data input, reporting, and audit
- **Externally host solution due to lack of internal IT resources**

### Role of Technology in Program

- Implementation must be as intuitive as possible due to lack of IT savvy support
- Platform must be scalable to include additional supplier disclosures in future
- **Platform must enable data sharing with other cloud-based system or with ERP system (SAP)**

# Overcoming Business Challenges

## The Medium-Sized Company Dilemma:

**Treating new risks as one-off problems with isolated solutions vs. longer-term, comprehensive opportunities**

### Typical Approach

- Assign a functional owner & rely on mid-level collaboration for cross functional support
- SaaS avoids capital approval process

### Adopted Frameworks

- **Striving for governance committees which can balance business needs and technology options**
  - Formal capital projects have governance committees, but still isolated

### Execution Methodologies

- Stand-alone team has tactical marching orders for Conflict Minerals
- Roadmapping regulatory risks over 3-5 years can enable top-down, integrated view

# Technology as an Enabler

## “Foot-in-the-Door” Strategy

**Vision starts small; grass-roots effort to educate and contextualize GRC for corporate leadership while implementing scalable technology platform.**

### MetricStream Solution Areas:

- Conflict Minerals (in place)
- Supply Chain Transparency (REACH, RoHS – future)

### Key Solution Functionality:

- New Regulations: ‘out-of-the-box’ must be flexible
  - Reporting, audit trail not fully defined by regulation
  - Challenge for provider to assimilate emerging ‘voice of customer’

### Implementation Strategy and Tactics:

- Strategy: Partner with CIO for buy-in to pursue cloud-based vs. enterprise-based solution
- Strategy: Functional business owns the requirements in all cases
  - If owner does not know what is required, then the owner will get whatever is provided
- Strategy: Enlist partners for launch team (Sourcing)
- Tactic: Join forces with local companies on same platform to align voice of customer



# Successes and Benefits

## MetricStream Conflict Minerals Solution: Project began June 2014

### Success Metrics and KPIs:

- “In the first year of the project, approximately 500 suppliers will be contacted for a response. During year two, we will continue to work with the 500 suppliers and improving the legitimacy of their responses, as well as reaching out to another 500 suppliers.” (Achieved)
- Audit trail created with repository for supplier communications & due diligence measures (In Process)
- KPI: R/Y/G Supplier Status (In Process)

### Key Process Improvements and Efficiencies Gained:

- No process existed, so improvement has been foundational
- Additional staff has not been required to manage supplier survey responses and due diligence (success!)

# Key Learnings and Best Practices

## Key Learnings:

- One size does not fit all
- Keep expectations realistic
  - an out-of-the-box software solution will not comply with a regulation which is not fully defined
- Assign a dedicated business owner
  - ensure requirements are met (as they are defined)
- Project sponsor must strive to see the bigger picture

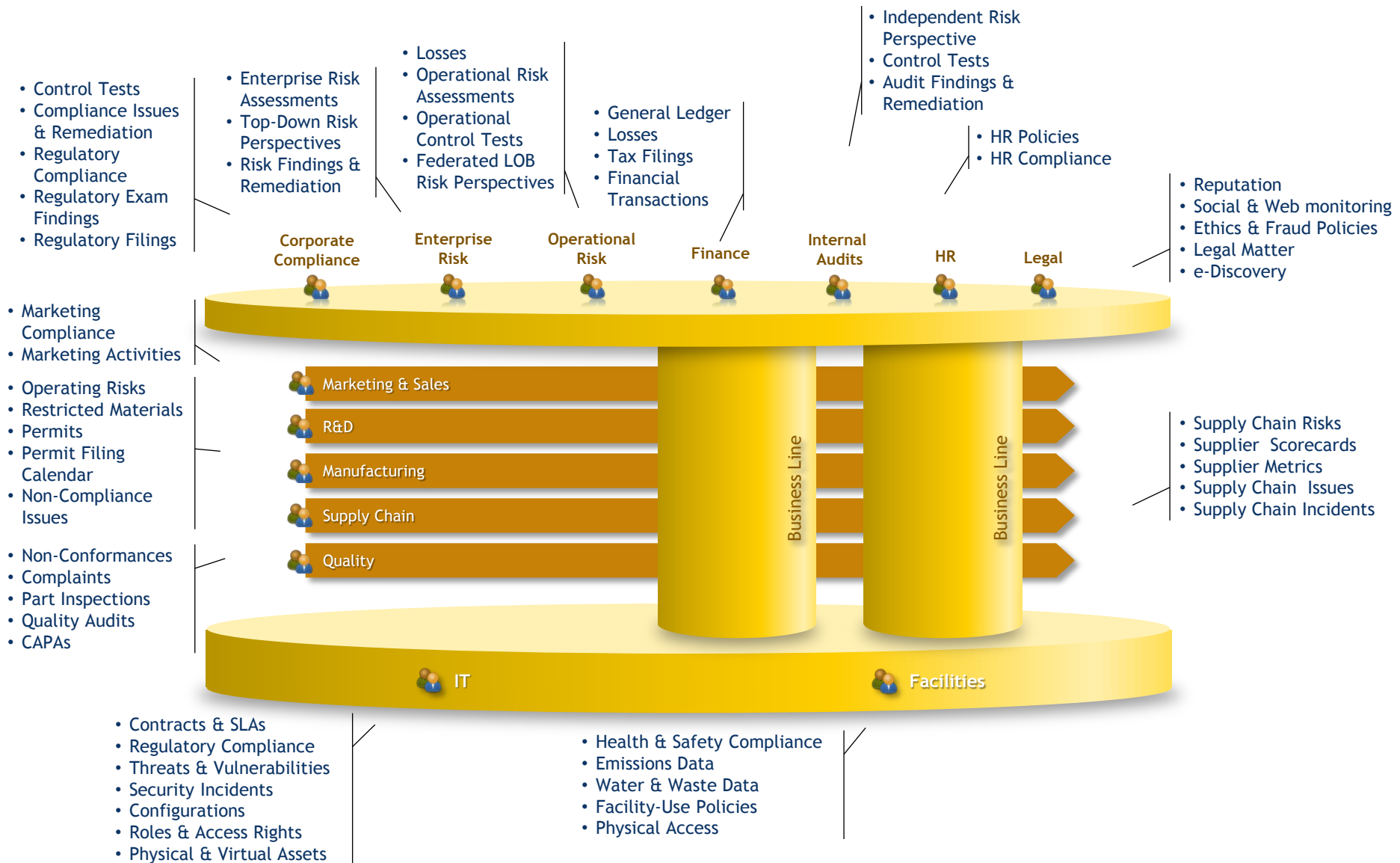
## Best Practices (for Medium Sized Companies):

- Force a governance structure with IT and functional partners
- Decision Model: Enterprise Software vs. Cloud Software

## The Road Ahead:

- Supply Chain Compliance Roadmap
- GRC evangelism for corporate leadership

# GRC – ‘Big Data’ Across the Enterprise



# How leading firms are leveraging MetricStream

Top 10 Oil & Gas Company

Supplier Quality Management

- Proactively avoid non-conformances and risks
- Ensure adherence to quality standards and compliance to ISO9001:2015

One of the top Home Improvement Retailer

Product Safety Compliance

- Ensure compliance with federal and state product safety regulations
- Avoid product recalls, brand reputation risk
- Ensure Hazardous chemicals are not in products

Top Apparel Brand

EHS & Sustainability

- Track Water, Waste, Energy, Air Emissions by facility
- Health & Safety incident Management, Assessments

# How leading firms are leveraging MetricStream

Fortune 100 Consumer Products Company

Third-party Due-Diligence & Risk Management

- Identify and on-board the right suppliers
- Integrate assessments to reduce duplication
- Continuous monitoring through on-going assessments

Merchandise division of Multi-national Entertainment Company

CSR & Social Compliance

- Ensure compliance with International Labor Standards
- Vendor/Licensee qualification, annual re-qualification, contract management and on-going audits
- Monitor Licensees and Vendors to ensure Corrective actions are implemented

# Benefits Realized

- Enhance visibility & transparency
  - Map Tier 1 to N suppliers
- Improve reliability of the program
  - Standardize assessments, automatic data validation
- Reduce program cost
  - Leverage the solution for multiple types of audits & assessments
- Drive Business Performance
  - Correlate impact of risks on performance

Maximize Business Performance Through GRC Journey

MetricStream

# GRC SUMMIT 2015

May 11-13, 2015

ARLINGTON, VA  
WASHINGTON, DC AREA

## QUESTIONS AND DISCUSSION

2015 - Case Study

