



Hitachi reduces its internal control costs by 40 percent with ARIS Solution for Governance, Risk & Compliance Management (GRC)

## Implementing Internal Control – Overcoming the Practical Hurdles

### Hitachi Construction Machinery Europe (NV)

Headquartered in Japan, Hitachi Construction Machinery Co., Ltd. (HCM) is a leading international manufacturer of construction equipment.

Hitachi Construction Machinery Europe (NV), the HCM subsidiary covering Europe, Africa, Russia, and the Middle East, uses its engineering experience and advanced technology to develop and manufacture a wide range of leading-edge construction machinery. Being listed on both the Tokyo Stock Exchange (TSE) and the New York Stock Exchange (NYSE), Hitachi must comply with both J-SOX and SOX regulations.

▶ [www.hcme.com](http://www.hcme.com)

Hitachi found it difficult to comply with J-SOX/SOX regulations. Internal control was typically audit driven, resulting in a heavy workload for internal staff and high external consulting/audit fees. Hitachi's aim was to shift to a more business-driven system of internal control, supported (and where possible automated) by world-class software. Implementation of the ARIS solution for GRC created a highly automated, business-driven internal control process, enabling compliance with various laws and regulations at significantly lower cost.

### Business Challenges

- ▶ Demonstrate compliance with regulations (J-SOX/SOX)
- ▶ Reduce internal control costs
- ▶ Improve process and control documentation

### Solution

- ▶ Design new process for internal control, shifting workload from corporate departments to local business units
- ▶ Implement ARIS Solution for GRC to perform tests and manage deficiencies, reporting, and documentation

### Customer Benefits

- ▶ Costs reduced by 40 percent due to reuse of data, easier reporting, and lower external consulting/audit fees
- ▶ Highly automated, business-driven internal control process
- ▶ Improved documentation quality

### ARIS Platform Products

- ▶ ARIS Business Architect
- ▶ ARIS Audit Manager (now ARIS Risk & Compliance Manager 3.1)
- ▶ ARIS Business Publisher



"ARIS is the first application Hitachi has deployed that actively supports the execution of business processes."

"ARIS has helped to bring us into the 21<sup>st</sup> century in terms of managing our business processes."

Ron Hartman, Corporate Manager Control, Hitachi Construction Machinery Europe

## Business Challenges

Although Hitachi was able to demonstrate compliance with J-SOX/SOX regulations, the cost of doing so was excessive. Internal control was typically audit driven, resulting in a heavy workload for internal staff and high external consulting/audit fees. The paper-based documentation was labor-intensive, difficult to report, and virtually impossible to manage.

Hitachi's aim was to shift to a more business-driven system of internal control supported (and where possible automated) by world-class software. The challenge was to set up and implement a controlled, harmonized, and integrated audit process that would enable both compliance with SOX and J-SOX and future process improvement initiatives.

## Solution

To ensure J-SOX/SOX compliance for fiscal 2008, the project team updated the current business process models based on the walk-through results and integrated the existing risk and control framework into the business processes. The team worked closely with Hitachi's readiness consultants, KPMG.

This was accompanied by design of the target process, which involved transferring responsibilities for risks, controls, and design/execution efficiency from corporate departments (internal control/internal audit) to the business itself. Compliance officers were assigned to support process owners in their compliance activities (control design, testing, evidence gathering, etc.). The internal audit department closely monitored these activities, defined the test plans and sample size selections, and reviewed the testing results. It also performed its own (random) testing activities and recorded the results of both testing outcomes for the external auditor. Hitachi's internal control department acted as orchestrator for this process, which was fully supported by ARIS. The use of ARIS enabled all team members to cooperate with each other and execute their tasks, with monitoring functionality delivering insights into status/progress.

Actual implementation of the new process started with evaluation of a pilot process to test and fine-tune the solution. A role-based training suite was developed and more than 400 quick reference cards were distributed to all relevant employees. The simple update testing period (April 2009) was used for full-scale rollout of the solution.

## ARIS Platform Products

ARIS Business Architect was implemented to model the business process and integrate the risk and control framework.

ARIS Audit Manager (now ARIS Risk & Compliance Manager 3.1) was implemented to support audit planning, execution, and monitoring.

ARIS Business Publisher was deployed to publish business processes via the company intranet and share information with relevant users.

## Customer Benefits

ARIS Solution for GRC produced a host of benefits for Hitachi. Reuse of existing process documentation cut overall costs by 40 percent and communication and alignment effort was reduced through deployment of ARIS as the single point of truth. ARIS also enables the company to perform self-assessments and establish internal controls/audits. Reporting and monitoring activities have been significantly reduced.

Another benefit was quality improvement thanks to central administration and better interaction between IT, business unit managers, compliance officers, etc. The insights and impact analysis delivered by ARIS have also improved decision-making. Clear ownership combined with a uniform methodology and release procedure have enhanced governance and reduced overall enterprise risk.

