



What Do Banks, Insurance Companies  
and Manufacturers Have in Common?  
**FICO TONBELLER!**

FICO TONBELLER – The Industry Expert in the Area of GRC

**The company**

- World-leader in large reciprocating engines, propulsion and distributed energy systems and subsidiary of Rolls Royce Power Systems
- Employs around 11,000 employees
- Headquartered in Friedrichshafen, with regional companies e.g. in the U.S. and Asia
- 17 company-owned sales organizations and 70 external sales partners

**The challenge**

- Compliance with national and international regulations, such as the UK Bribery Act and the US Foreign Corrupt Practices Act
- Risk-based approach for business partner due diligence
- Extensive partner due diligence that goes beyond mere compliance and integrity checks
- Modeling of complex approval processes for business partners

**Siron® solutions**

- Siron®KYC for business-partner due diligence: from partner onboarding, integrity and risk assessment of the business relationship, to approval and ongoing monitoring and review

**Added value**

- Improved efficiency and effectiveness of the business partner due-diligence process
- Enhanced transparency for all parties involved in the process
- More detailed information through integrated questionnaires
- Faster onboarding and shorter processing times for business partner checks
- Reduced effort and time frees up staff resources
- Documented audit trail to evidence compliance with mandatory processes

**MTU Automates Global Business-Partner Due Diligence**

From a compliance perspective, would you treat a Western medium-sized business partner in the same way as an independent sales agent from one of the emerging African or Asian markets? Probably not. MTU had to do just that but with a standardized, yet flexible, electronic workflow. Siron®KYC by FICO TONBELLER was capable of managing this balancing act.

Even before MTU introduced the FICO TONBELLER solution, the subsidiary of Rolls Royce Power Systems AG, had focused on compliance to meet international anti-corruption regulations stipulated by the UK Bribery Act and the U.S. Foreign Corrupt Practices Act (FCPA). The impact of these laws goes beyond national boundaries affecting all companies that conduct business activities or have subsidiaries in one of these countries or are listed on a U.S. stock exchange. In order to identify risks posed by business partners and take appropriate measures, both laws demand risk based due-diligence procedures with variable depth and intensity. In addition to its own sales force, MTU relies on a network of partners. These partners act as intermediaries for MTU and are subject to an intensive risk assessment. Apart from integrity and compliance, the partners' sales and service quality, their financial performance, or contract terms and commission agreements play an important role. A due-diligence solution by FICO TONBELLER has been used to manage these business partners since 2014.

MTU is a world-leader in large reciprocating engines, propulsion and distributed energy systems and preferred partner for sustainable solutions in the fields of energy, propulsion, and services, among them marine and offshore, naval and defense, construction machinery, industry and agriculture, railway, oil and gas and power supply. The company has around 11,000 employees and 2 central sales locations in Novi, MI (USA) and Singapore, as well as 17 further company-owned sales organizations and 70 external sales partners. Due to its position within Rolls Royce Power Systems, the global sales and service network of MTU, headed by Steffen Rekowski, also assumes due-diligence responsibility for all business and sales partners.



## Risk-Based Approach for more Speed, Efficiency, and Transparency

Business-partner due diligence at MTU had long been a manual process. Depending on the contract period, business relationships were reassessed in a process that was adequately detailed, yet had to be identical for all business partners, irrespective of their situation. However, this approach was not actually risk-based as required by the guiding principles of the UK Bribery Act, and the procedure was time-consuming since it involved manual approvals by all parties. “We were looking for a solution that as well as fulfilling all legal provisions would also model the complexity and dynamics of our business in efficient, electronic processes”, says Steffen Rekowski, project manager at MTU. The main issue with this manual process was its lack of flexibility: For example, we saw completely different risks for a service workshop in one of our core markets that we had been collaborating successfully with for years, than for a new intermediary from a developing country where our business activities had only recently begun. A one-size-fits-all concept was not sufficient here. A risk-based approach was needed instead.”

Apart from the country of origin, a number of additional factors affect the extensive risk assessment of a potential partner: Will we be doing business with a public company? Is the company's ownership structure transparent? What other risk-relevant information is available as general background information? Though this information had been collected

before, it was not evaluated in a risk-based approach. The software-based process used today makes the risk assessment dynamic, from initial approval by the department to simple and enhanced due diligence.

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Steffen Rekowski, MTU

## New Compliance Process Accomplishes more than Integrity Checks

To identify the specific risks that result from major power-supply projects or enhanced security requirements for projects in the military sector, MTU defined an extensive catalogue of questions and criteria based on a cross-sectional risk assessment. This catalogue not only enables an assessment of the partner from the compliance perspective but can also check the quality of sales and services: Is the company's sales team sufficiently staffed? Is the workshop big enough for the repairs? Does it have the appropriate tools? The respective departments will have to confirm that the partner fulfills MTU's requirements. Commercial conditions, such as credit limits and commissions, are part of this assessment. “This goes beyond a mere integrity check and is anything but trivial given our business model with its internal and external sales and service channels,” summarizes Steffen Rekowski. “We serve numerous different industries, many of which are

involved in highly sensitive deals, and sometimes in countries that are far from being a role model for the fight against corruption. This makes compliance checks an extremely important part of our business.”

MTU selected FICO TONBELLER and Siron®KYC software to model this structure and risk-based approach. “Not only the flexibility from a technical point of view, but also FICO TONBELLER's readiness to customize the solution to fit our needs, was an important factor in our decision to invest in Siron®KYC”, Rekowski points out. “The user-friendly, intuitive interface of Siron®KYC was particularly convincing. Administrators at MTU can update the risk-assessment questionnaire on their own, correct smaller issues, or add steps or business rules to the process. The FICO TONBELLER tool integrates external data sources, such as the OECD list of tax havens, the Corruption Perception Index (CPI) of Transparency International, or media research, thus enabling an effective and efficient assessment.”

The decision was only made in autumn 2013, but Siron®KYC for onboarding went live in May 2014, finalizing Phase 1 – and getting down to the real work.

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### Electronic Workflow Simplifies Complex Acceptance Process

Phase 2 saw the development of a process and decision matrix using five indicators to specify the persons to approve the risk assessments and the order of their approvals. Which product field is responsible for the queries? Which risk level represents the limit for the regional sales management and where does the next higher level come in? What happens if one of the involved parties rejects the approval if only one of the business reports is available but not in English as required? This process, far from trivial on paper, had now to be modeled as an electronic workflow: "At present, the decision matrix includes between 8,000 and 9,000 lines", says Steffen Rekowski pointing out the complexity of the approval process. This was worth the effort, since MTU is now in a position to grant faster approvals and the entire process has become transparent: "We can track the status of each case at any time," Rekowski underlines. Siron®KYC shows whose approval is pending and whose has been granted, who is next and who will follow.

Depending on the risk level, the application, and the contract type, there may be more than 20 decisions, which would be difficult to manage manually.

"FICO TONBELLER was compelling here, since they said right away that such a process could be modelled with Siron®KYC with appropriate adjustments. Hence, we engaged in very close partnership and collaboration to mutually agree the solution," says Steffen Rekowski. This was necessary, to match the company's business requirements with the technical options of the FICO TONBELLER software. "We wanted the system to initiate the exact approval process specified in the decision matrix, based on all case information in Siron®KYC and on five indicators, and to manage this process through e-mail notifications and resubmissions. Apart from this genuinely complex management process, we had to find a solution for cases where approval was not granted in the first place and due

diligence was redirected to one of the previous levels. This requirement resulted in one of the most challenging situations for the collaborators during the entire project.

### Demanding Test Phase, Smooth Go-Live, Successful Real-Time Operation

Despite of all the preliminary work this extremely complex function brought everything to a halt and testing had to stop. "That was a bad day", Rekowski recalls. "But the setback also illustrated the professionalism of the FICO TONBELLER team throughout the entire project. They evaluated and implemented enhancements, and then we went back to testing – successfully, since this complex system just works fine now. As expected for projects of this complexity, some minor adjustments were made in the early days following go live", Rekowski emphasizes. "But daily work was not affected and there were no idle or down times." Meanwhile, approximately 90

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MTU employees have been trained to use the tool, among them around 20 initiators, i.e. regional sales and service representatives and other regional managers, and an additional 60 to 70 persons entitled to grant approvals.

“In summary, we can say that work has become much easier for all MTU employees involved in compliance thanks to the cooperative, customer-oriented work of FICO TONBELLER”, Rekowski concludes.

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Steffen Rekowski, MTU

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