

# Anixter International Inc.

## Wiring Up Business Transformation

**Ed Rogowski**

Senior Vice President  
Internal Audit,  
Chief Audit Executive

*If your business is going through transformation, and you don't have a forward-thinking internal audit department, you run the risk of being unable to take full advantage of the opportunities that transformation presents.*

In 1957, brothers Alan and Bill Anixter saw a business opportunity: buying wire and cable by the mile and selling it by the foot.<sup>1</sup> The two recognized that many end users, like construction firms, wanted to purchase only enough product to suit the needs of their projects — and not invest in enormous reels of wire and cable from manufacturers. So, with a \$10,000 loan from their family, the brothers established a wholesale distribution company that would evolve over the next 60 years into Anixter International Inc., a global *Fortune* 500 business with more than 8,700 employees in over 50 countries.



*Rogowski says that part of the reason the company hired him was to help the business transform and assess its risk landscape.*

Today, Glenview, Illinois-based Anixter helps to build, connect, power and protect valuable assets and critical infrastructures<sup>2</sup> for about 130,000 customers around the world. Its business segments include Network & Security Solutions (NSS), Electrical & Electronic Solutions (EES) and Utility Power Solutions (UPS). Anixter also provides inventory management services, such as procurement, quality assurance testing, advisory engineering services, and e-commerce and electronic data interchange, to many of its customers.

“Anixter offers almost anything related to cabling or electrical applications,” says Ed Rogowski, senior vice president, internal audit and chief audit executive at the company. “If you’re constructing an office building, for instance, we can provide the products

and solutions to set up the electrical service, computer networks, security, A/V, wireless and more. We can serve and support everything from data centers to retail stores to manufacturing environments.”

Anixter also serves utilities — and expanded that aspect of its business with the 2015 acquisition of HD Supply’s Power Solutions group. “We now manage the inventory for many large utilities in North America,” Rogowski explains. “So, as an example, if there’s a storm or natural disaster and utility wires are down, we have prepackaged kits ready to go for the linemen. They can just grab what they need and get to work on restoring electricity.”

### Harmonizing and Rationalizing Control Processes

Anixter has been growing through acquisitions for years, but Rogowski says the business found it challenging to vertically align its companies and their processes and systems. That lack of alignment presented business risk to Anixter. Rogowski says that part of the reason the company hired him was to help the business transform and assess its risk landscape. “They wanted someone in internal audit who could be a partner to the business and provide the right solutions for addressing risks,” he says.

When Rogowski joined Anixter about four years ago, he brought with him decades of audit leadership experience that he earned in the pharmaceutical and airline industries and at a global management consulting and professional services firm. “I have a track record of helping to mature organizations,” he says. “I implement a business partnering role for internal audit, focusing on business risks versus financial risks. So, for example, we’ll look at operational risks, combine that

<sup>1</sup> “Who We Are,” Anixter Investor Relations, Anixter website: <http://investors.anixter.com/home/default.aspx>.

<sup>2</sup> “About Us,” Anixter website: [www.anixter.com/en\\_us/about-us.html](http://www.anixter.com/en_us/about-us.html).

with an enterprise risk management (ERM) approach, and then identify where we need to apply internal audit resources.”

Rogowski emphasizes that internal audit can be a critical partner to any business pursuing a major change initiative like Anixter. “If your business is going through transformation, and you don’t have a forward-thinking internal audit department, you run the risk of being unable to take full advantage of the opportunities that transformation presents,” he says.

### Uncovering — and Resolving — the Underlying Causes for Audit Failures

Rogowski says completing a thorough risk assessment and understanding how and where the business and the board see risk are high priorities for Anixter’s internal audit function. So, too, is determining what kinds of audits the team needs to conduct to track the company’s progress in addressing key risks.

Building the internal audit team has been another focus for Rogowski. When he first joined Anixter, he inherited an organization that had experienced significant turnover, leaving only a team of two. Now, he has nine internal auditors who focus primarily on operational audits. Anixter outsources its IT audits, IT risk assessments and cybersecurity testing, as well as its Sarbanes-Oxley (SOX) compliance work, to expert resources.

“Outsourcing frees up my team’s bandwidth so we can focus on other value-added work,” says Rogowski. “It also prevents them from getting pigeonholed. If they’re too bogged down with compliance work to be a partner to the business, it undermines their ability to provide value. It also limits their credibility if they’re seen as just ‘SOX auditors’ instead of ‘business consultants.’”

While building his new department and evaluating existing audit processes, Rogowski says he noticed patterns of audit failures in different parts of Anixter’s business. “Talking with the CFO and the audit committee, I noted that our team needed to dig deeper to find the underlying causes for these repeated failures,” he says.

One area the internal auditors examined was Anixter’s South American operations. “We found they lacked good control processes, and people weren’t being trained well enough on the company’s expectations for controls,” says Rogowski.

So, the internal audit team worked closely with local contacts in each country to identify the right processes to follow. “Then, we had to harmonize and rationalize those processes across the whole entity to come up with a common set of processes and procedures,” says Rogowski. “After that, we set up the training. Now, we’re at a point where we can go back and resume audits of these locations because they know what the expectations are and how to achieve them.”



*Rogowski emphasizes that internal audit can be a critical partner to any business pursuing a major change initiative like Anixter.*

Rogowski says the auditors’ work in South America is just one example of how the internal audit team is assisting Anixter with its business transformation. “Ultimately, the goal is to fully integrate processes for all organizations across the company into a common set of business practices and policies,” he says.

## Taking a Seat at the Digital Project Design Table

Internal audit at Anixter is also helping to support the company's efforts to deliver Innovation and Business Transformation, which includes maturing technologically, through implementation of the Oracle Cloud Platform. "We're heavily involved in that journey, not only in identifying what types of controls the business needs, but also in assuming an independent oversight role on the project," Rogowski says. "We're helping to make sure that it's managed and reported on appropriately."



*In the future, Rogowski says he would like to see his team using data analytics to identify trends.*

A designated team member from internal audit monitors the overall project plan and attends many of the design meetings to make sure the right topics are discussed, according to Rogowski. "We're really embedded in the process of the whole design function," he says. "And that will continue throughout the entire implementation, which will be completed in 2023."

Rogowski says Anixter is also creating several robotic process automation (RPA) solutions in conjunction with its transition to Oracle Cloud. "The internal audit team is embracing

RPA," he says, adding that some auditors are training on RPA so that they can both identify good RPA opportunities in the business, as well as play a role in the implementations.

Once Anixter completes its move to the new platform, the internal auditors can start to experiment more with technology in their department, Rogowski says. "We'll be in a really good position by then because we'll have the right skill sets to do more data analytics and RPA types of activities that can help position us as an agile group," he explains. (The agile work methodology has been embraced at Anixter after it was introduced by the business transformation team, according to Rogowski.)

The internal audit team is now preparing to master the data analytics tools available within Oracle Cloud. "We're building expectations about the type of data we can access and use for reporting," says Rogowski. "A lot of the tools that we're using come out of the box, which is very helpful."

In the future, Rogowski says he would like to see his team using data analytics to identify trends. "We could then transfer ownership of a data analytics program back to the business and say, 'Here's how we can view some of the relationships between the transactions that you process through your organization. And here is a program to help you monitor your performance,'" he says. "If we're doing our job right, we should be able to create many of these opportunities in our audit areas."

## Providing a Pipeline of Talent for the Business

When Rogowski hires for his team, he says he tries to recruit “the best athletes” he can find. “I look for people who have not only an internal audit or accounting background, but also a demonstrated ability of partnering with and being a valued consultant to the business,” says Rogowski. “I want people who can roll up their sleeves to help the business solve problems, rather than just identify issues and walk away.”

Rogowski also looks for professionals who are comfortable working with databases and know how to pull data out of systems. And he seeks internal auditors who can think from a process perspective and contemplate, “What is the most efficient way to audit?”

While Rogowski says finding and retaining that talent can be tough, he isn’t always sorry to lose good people. Turnover in internal audit can be a positive thing, he says — provided that the professionals leaving the function stay within the company. “I like to have my auditors go into the business, and for internal audit to be seen as a pipeline of talent for the company,” Rogowski says. “It enhances the credibility of the team members, the department’s credibility and increases internal control awareness throughout the company.”



*While Rogowski says finding and retaining that talent can be tough, he isn’t always sorry to lose good people. Turnover in internal audit can be a positive thing, he says — provided that the professionals leaving the function stay within the company.*

One way that Rogowski helps his team to build their business savvy is to share insights that he gains from serving as chairperson of the board at Chicago-based Alliant Credit Union, one of the largest credit unions in the United States. Rogowski has been on Alliant’s board of directors for a decade and in the chairperson’s seat for five years.

“I think my experience with Alliant helps me to keep my team at Anixter engaged and informed because I understand how the board looks at risk and what they want auditors to focus on,” he says. “I can give my team more understanding of the big picture — helping them to see where business strategy meets the internal audit mission.”