The Right Business System for Going Global

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You are an executive at a mid-sized manufacturing organization that is beginning to market, sell and service its products in multiple geographies across the globe. As a result, your supply chain model is suddenly becoming more complex and needs tighter coordination. You now have to manage your financials in multiple currencies, as well as consolidate financial data from international subsidiaries for reporting. Your line-of-business managers are beginning to ask for more operational transparency across the company, so they have better visibility into the performance of the foreign operations against their targets. Your international operations executives are asking for flexibility in making quick ongoing changes to the existing go-to-market plan by creating new pricing or product bundles; adding different sales channels; or adding new service offerings. Regulatory compliance across all geographies is also becoming critical, as you begin to build your brand in these new markets.

You are not alone. Most organizations looking to go global find themselves in this situation. As they plan their growth, they realize their current collection of business systems is unable to support their global operations plans and they must evaluate a new enterprise business system. However, it is critical that the new system they choose meets their requirements not just for today, but also tomorrow. This article provides a three step framework for executives to think through their key enterprise system requirements as they prepare to build global operations for their company.

The first big question: Global or Regional Operating Model

As you evaluate a new enterprise business system to meet your growth needs, the first question you need to address is if your plan is to operate as an integrated global company or as a highly distributed organization with a collection of regional

businesses.

If the plan is to operate as a global company, then your managers require an integrated view of inventory and operations, as well as tight coordination between manufacturing and distribution operations to ensure an efficient supply chain. In addition, they want a consolidated view into the company's financial data so that they have clear visibility into their costs and margins. This ensures that the managers are able to monitor the financial and operational health of the organization closely as it prepares to take on the significant new risks of going global.

Organizations that choose to operate as a global entity try to standardize certain business processes across multiple countries to gain operational efficiencies. Such processes include order management, materials planning and inventory control, which enable better coordination between manufacturing and distribution operations that are shared across operating regions and product divisions. However, the company may also choose to decentralize certain processes and manage them at a local or regional level to respond to customer issues/needs proactively and in a timely manner. Such processes may include shipment, order changes, order promising customer service and invoicing. Hence, an enterprise system designed for mid-sized global companies should be able to support certain business processes with a centralized model and others with a decentralized model.

Many mid-sized companies make regional acquisitions in order to establish a foothold in a new country or region and choose to run these operations in a decentralized (autonomous) fashion before integrating them into their core business. In such an instance, the manufacturing, distribution, procurement and accounting operations may be run locally (not integrated with corporate) and corporate gets consolidated financial data.

Based on the model your organization chooses, it may either require a completely integrated or a completely regional model as it goes global; or it may choose a hybrid model, where it runs the core business in an integrated model and new acquisitions and certain regions in an autonomous model. Hence, when selecting a new enterprise system, any organization needs to ensure that their system is able to support both business scenarios concurrently.

Second Big Question: Does it support local, regional and industry requirements

First things first — the new business system must be able to support core international financial and regulatory requirements such as multi-currency and multi-language, localization of taxation rules and reporting, financial consolidation and inter-company transactions.

However, such capabilities are just the table stakes. The enterprise system should also provide the ability to meet the specific regional requirements. For example, the French Government requires that businesses report their inventory figures as a moving average. Hence, the general ledger system used by the company's French

unit must comply with the local government reporting requirements, while reporting a standard set of figures to the parent company. Other examples of regional differences include compliance with VAT specifications to enable the organization to print legal documents in Chinese for local business partners and in English for global business partners.

Every industry has its own unique business processes, requirements, and challenges. The enterprise system must be able to support industry specific requirements to it can be deployed quickly without needing lot of enhancements. Examples of industry requirements include capabilities such as traceability and rebate management in food and beverage industry; OEM and tier II supplier collaboration in the automotive industry; and channel management, order splits, and down binning in the semiconductor industry.

Business systems should also be able to support local views into the operational and financial data. For example, a manager in Japan should be able to view his or her local business via a dashboard in local language, with all sales displayed in yen, while the corporate officers should be able to look at the same numbers in English in their local currency, for example, US Dollar.

The system should also support multi-tier organizational hierarchy and consolidation, where the information from local business units can be rolled up into one or multiple levels of hierarchy. For example, the Taiwan operations roll up into the Far East business unit, which rolls up into the APAC business unit, which eventually rolls up at the corporate level. Moreover, calculations for reporting and consolidation should be done on the same database within the system, so that every stakeholder has a consistent view of the information.

A global company must also be able to meet the local regulatory compliance requirements in the countries in which they operate. For example, the system should meet the confidentiality and privacy requirements of local regulations such as the EU Privacy Directive or HIPAA. Companies taking advantage of Free Trade Zones, such as NAFTA, must be able to track the country of origin information for products they buy, assemble and sell. Ensuring that the enterprise system complies with such regulations is not enough. It must also be able to capture transaction logs that can demonstrate that such compliance requirements were consistently met, if required by an audit.

Third Big Question: Does it meet my non-technical requirements

As a company enters international markets and explore a new business system, you need to consider several other criteria in the selection process.

Companies doing a global deployment of their new business system need access to local experienced consultants and telephone support in local time zones. Many vendors do not have enough expertise on the ground, either through their own consulting organization or through a partner network to support local deployments and training. Furthermore, many enterprise system vendors are not able to provide user support during local work hours. Lack of local implementation expertise and

unavailability of support increases the cost and risk associated with deployment.

Another consideration for selecting a new system is that it should continue to keep pace with your growth. As your operations become more complex, the system should keep pace with your growth and not slow you down.

Finally, the pace of change is accelerating in every industry and in every market. You may find that your operations in China need the go-to-market model tweaked, but things are going great for you in Germany. You may find yourself acquiring new operations in a region or adding new distribution centers with significant impact on the supply chain only in that region. The new system should be able to flexible and adaptable — so you can roll out new processes or adapt existing processes rapidly and in a cost effective manner. In addition, the local rollout will need to be delivered by skilled resources in that region to ensure the right processes are implemented according to the needs of that regional entity.

Summary

An enterprise business system provides the core infrastructure to manage all business processes and coordinate supply and demand within a company. While a company grows internationally, its process and operational complexity increases significantly, often requiring the replacement of the current business systems. Care must be taken to not only ensure that the new enterprise system will support an organization's immediate requirements, but that it will also grow with them as they achieve more success internationally. The framework in this article should provide them a path to evaluate and select a system that will meet their needs today and tomorrow.

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