Preparing for Tomorrow’s Market

There are few constants in this world. The way in which we do business is not one of them. Instead, companies must actively adapt to change within the marketplace; and, as the international landscape continues to grow smaller due to advances in technology, businesses are realizing the importance of operating on a global scale. As with any equally ambitious venture, although there is great potential for a strong return on investment (ROI); moving to a global model, or even strengthening one’s current global infrastructure, comes with a unique set of challenges. Among the most prevalent are the needs to operate around-the-clock, extend influence within emerging markets, and implement a global vision throughout the enterprise.

Uninterrupted Operation through Shared Service Centers

Whether a company directly services a large number of customers from around the world or if it has to coordinate operations with other businesses, at a certain point it will need to remain “open” 24/7. Delaying critical tasks because certain processes need to be approved or completed at a headquarters or office that runs solely during its local hours of operation will negatively affect cost, customer satisfaction and overall efficiency.

A solution to this problem, known as the “Follow the Sun” model, was originally developed for American Express. It relies on a series of geographically-distributed shared services centers (SSCs) that function in coordination with each other on a 24-hour timeline. As the business hours of a given region come to a close, the responsibilities are rolled over westward to the next region’s assigned SSC. As such, there is no lapse in functionality.

Implementing shared services centers also come with added benefits: the standardization of business processes, a reduction in operating costs, as well as permitting each division to focus more closely on its primary objectives, rather than being weighed down by back-office functions. For more information about the implementation of shared services centers, please see the article titled, “The Common Challenges of Common Practices: Tips for Effectively Moving to a Shared Services Center.”

Breaking into Emerging Markets

Shifting economic tides in recent years have resulted in the development of markets in regions previously unaffected by global companies. However, as these emerging markets are expected to mature someday, major players are already making footholds for their own enterprises. For example, IBM already predicts earning 30 percent of its revenue by 2015 from these emerging markets. Unilever Corporation’s is capitalizing on them as well, as they currently comprise over 50 percent of their business.

Breaking into these new markets is no simple task. Poor decisions made based on inflexible or poorly researched approaches will cause companies to struggle unnecessarily. One of the most common mistakes made by corporations is to implement a rigid business model which mirrors the one they had success with in their own, or in culturally similar, regions. Another often overlooked stumbling block for businesses is to appoint leadership roles to people who are culturally-equivalent to the staff at HQ, since this makes reporting and discussions over the phone easier for everyone. Therefore, when developing an action plan, the two key points of focus should be selecting the right leaders as well as designing a culturally-appropriate approach for establishing itself within its target market.

Much of a company’s success in expanding into a new region is dependent on the local management’s knowledge of the market’s current state. An ideal candidate for the task would be someone with both an
understanding of what the parent corporation represents and how it operates, as well as a familiarity with the target area's business community and socio-economic structure.

Once a champion for the project is designated, the approach should be based on a flexible, regionally-focused business platform. Most companies that have had success with such ventures in the past used a phased approach to establish themselves. Below is a brief outline of the steps used in these successful ventures:

I. Make in-roads by relying on local partners who can introduce people to the new products or services.
II. Gradually, shift dependence from partners to locally-hired employees and systematically establish a long-term infrastructure.
III. Finally, operations are aligned with the specific location and with the enterprise vision (i.e. thinking globally and acting locally.)

Establishing a Global Vision Enterprise-Wide

Aside from project initiatives focused on expanding company market influence, a business needs to have its global vision reflected throughout its entire enterprise. Making the right decisions when entering a new market will certainly help a company grow, but if these ventures are not properly incorporated with already existing operations, then one can expect to see overall efficiency go down.

According to a recent study by McKinsey & Company, a common detriment among high-performing global companies was discovered, known as the “globalization penalty.” These companies consistently scored lower than locally-focused ones on several dimensions of organizational health, which included: being less effective at establishing a shared vision, encouraging innovation, executing “on the ground,” and building relationships with local governments and business partners. The study recognized four main tensions imposing the penalty, which came from managing strategy, people, costs and risk on a global scale. Essentially, as the scope of the business increases, so does the difficulty of efficiently handling the aforementioned factors.

A global vision will not be diffused solely through company-wide memos and leadership workshops. It needs to be incorporated into the way in which business is done, and the way to truly accomplish this is with the enterprise’s data.

Think of data as the body of the business. If it is not running cleanly, then the symptoms will appear as poor efficiency. Inconsistencies in data affect customer and supplier relations. Data silos harboring important information obstruct interdepartmental coordination. Disparate instances, or even having multiple Charts of Accounts (CoA), slow down reporting time dramatically, which in turn affects the pace at which a company’s leadership can make informed decisions.

An instance implemented years ago probably did not account for the new operating units and legal entities that are just now being created. In fact, most of the changes an enterprise makes within its business model after its ERP’s inception are typically not properly reflected in the data structure. Therefore, any company that has not considered its ERP needs lately should take the time to reevaluate them as soon as possible.

Conclusion

As the world economy becomes less segregated by geographic distances, companies are realizing the importance and impact of shifting to a global model. The set of challenges associated with such an
initiative are unique. Not only do they involve ambitious projects, as with shared services centers or the reorganization of enterprise data; but, they also require a flexible, focused approach that is sensitive to the market and cultural distinctions of a target region. Despite these obstacles, more corporations, like IBM and Unilever, are seeking to adopt a global business model because the potential reward for getting in on the ground floor of a developing market is promising.

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