Preparing for Tomorrow's Market

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There are few constants in this world. The way in which a company does 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 realize 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 developed for American Express. It relied 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 came to a close, the responsibilities were rolled over westward to the next region's assigned SSC. As such, there was no lapse in functionality.

Implementing shared services centers also come with added benefits: the standardization of business processes and a reduction in operating costs. The SSC also allows each division to focus more closely on its primary objectives rather than being weighed down by back-office functions.

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. According to Morgan Stanley Capital International All Country World Index, although emerging markets only represent 12% of market cap, they account for 42% of the revenue of global companies.

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, align operations to 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.

As discussed in a recent podcast by McKinsey & Company, companies have "underestimated the possible magnitude of distribution pressures from freer trade and immigration and flows of capital."

A global vision will not be diffused solely through company-wide memos and leadership workshops. It needs to be incorporated into the leadership and 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, that 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 may not properly reflect in the current data structure in its ERP system.

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 leadership approach that is sensitive to the market and cultural distinctions of a target region. Despite these obstacles, more corporations 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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