

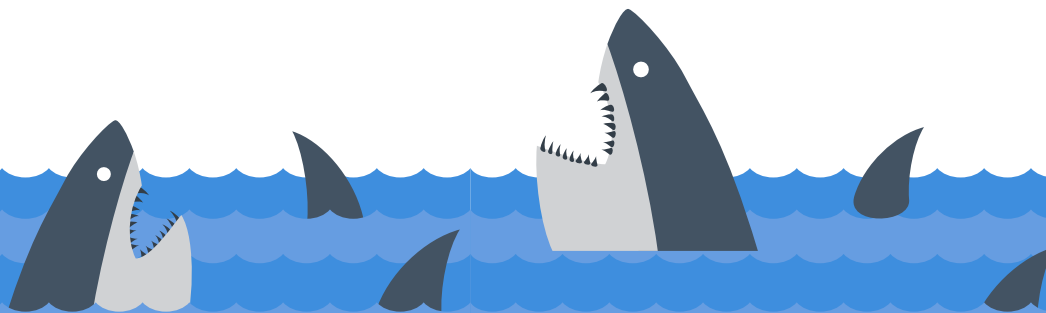


International ERP deployments:

From local to global

Deriving maximum value from harmonisation

We will outline the importance of identifying and prioritising the right global business processes to focus on in order to obtain the greatest possible benefits from harmonisation.





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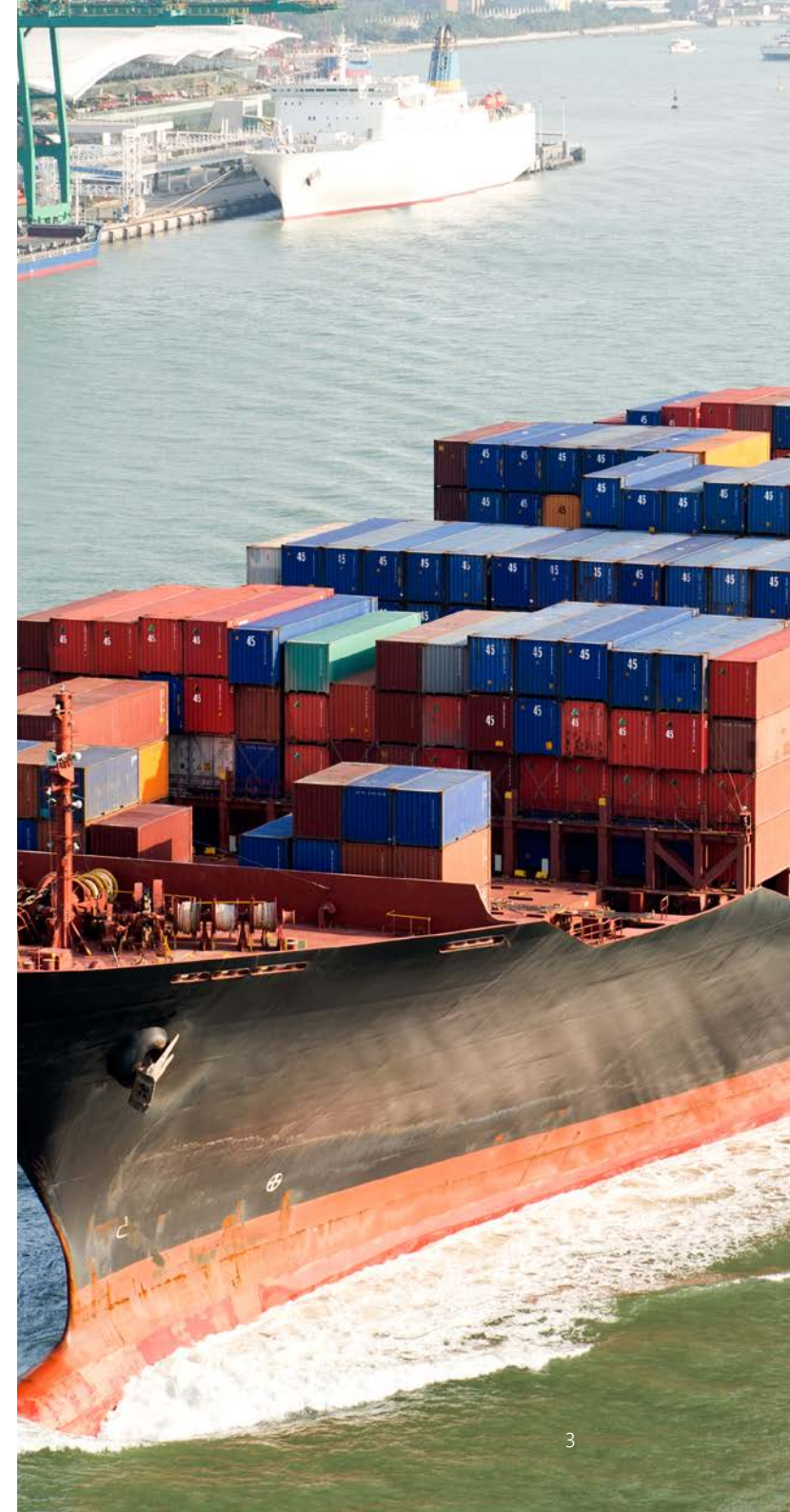
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Introduction

The potential benefits of business process harmonisation are both far-reaching and substantial. Implementing uniform processes on a common IT system across an international organisation can improve reporting and transparency. This can in turn lead to better decision-making with accurate, timely information—and make it easier to meet compliance requirements.

Harmonisation can also increase the operational and transactional efficiency of information exchange between systems by way of de-duplication, and by promoting new ways of working, for example with the establishment of shared service centres.

This paper looks at ways to reduce the constraints and achieve success with harmonisation. It covers the principles for identifying the best candidates for potential benefits and how to work towards them in a practical and methodical manner.

Too good to be true?

While all this sounds good on paper, there is, however, a catch (as usual). There is a trade-off between the cost-benefits of globally standardised processes and the resources required to implement them. Significant resources need to be devoted towards motivating the entire organisation and managing the standardised process on a long-term basis. What is more, in some cases, local conditions prohibit standardisation in which case, distributed power is actually more efficient.



Identifying candidates

Which processes promise the greatest potential?

The harmonisation of business processes involves the elimination of differences and inconsistencies in their activities in order to ensure that they contribute to a uniform business goal in the most efficient manner. By implication, then, harmonisation involves, not only the identification of differences in the way processes are carried out, but also adjusting them to become uniform.

This section will cover some general principles behind identifying which business processes to focus on in order to get the most out of harmonisation. The next section will deal with how to adjust the processes to make them uniform.

In order to find the best candidates for harmonisation, you need to take the following three actions. First, identify processes that contribute to your strategic aims. Second, determine how much is to be gained by harmonising the identified processes. Finally, narrow it down further by choosing to harmonise those processes that have the least amount of constraints when it comes to implementation.

1. Identify comparable processes, or business processes that can work towards a common goal

Every corporation identifies strategic aims, and the people behind the organisation are most likely aware of their key business processes, metrics and goals. Successful businesses also make sure that corporate goals and targets circulate down the organisation.

They enable their staff to capture, analyse and leverage system-based information in order to monitor and enable progress towards the given goals. Similar processes that contribute to the same strategic goal can be made more efficient by adopting a uniform way to carry them out across the organisation.

2. Look for processes where efficiencies can be gained

Once you have identified comparable processes that can serve the same goal, you can examine how much is to be gained by

harmonising each process. The underlying goal is to eliminate all unnecessary elements and duplications in formalities, processes, procedures and documents and aligning them to international conventions or industry standards and best practices.

These best practices can be found both externally, and certainly within your own organisation. It is also important that you can capture and document the process and its inputs and outputs within your ERP system in order to implement them across your organisation.

3. Choose processes where one global standard can be achieved

It is not practical to standardise all the processes you have identified as potentially beneficial. As noted earlier, there is a cost-benefit trade-off, and not all processes are ripe to be harmonised across every organisation.

The level of harmonisation can range from one common standard to incorporating all variants of the most extensive customisation imaginable. Rather than forcing standards then, it is wise to take the middle road where internal stakeholders from around the global organisation are involved in deciding which processes should be global, and which will function better on a local or regional level.

It may not always be simple to determine what the best way to move forward is. A rule of thumb, however, is that the time and effort put into business standardisation should boost the bottom line rather than just increasing the operational cost of managing a global setup from headquarters.



One way to identify what to focus on is to look at what is required to standardise processes and integrate them in the IT system, as shown in the breakdown below.

Coordination

- Shared customers, products or suppliers
- Impact on other business units transactions
- Operationally unique business units or functions
- Autonomous business management
- Business unit control over business process design
- Shared customer/supplier/product data
- Consensus processes for designing IT infrastructure services: IT application decisions made in business units

Unification

- Customers and suppliers may be local or global
- Globally integrated business processes often with support of enterprise systems
- Business units with similar or overlapping operations
- Centralised management often applying functional/process/business unit matrices
- High-level proves owners design standardised processes
- Centrally mandated databases IT decisions made centrally

Diversification

- Few, if any, shared customers or suppliers
- Independent transactions
- Operationally unique business units
- Autonomous business management
- Business unit control over business process design
- Few data standards across business units
- Most IT decisions made within business units

Replication

- Few, if any, shared customers
- Independent transactions aggregated at a high level
- Operationally similar business units
- Autonomous business unit leaders with limited discretion over processes
- Centralised (or federal) control over business process design
- Standardised data definitions but data locally owned - some aggregation at corporate
- Centrally mandated IT services

The lower the demands for standardising and integrating business processes, the greater the potential for a smooth and successful result.



The bottom line

In order to tip the cost-benefit ratio of harmonisation in your favour, it is important to focus on those processes that stand the greatest chance of success and contribute the most value to your business.

- Identify comparable processes that can contribute to a shared strategic goal.
- Look for processes where the greatest efficiency can be gained with the least resistance.
- Involve stakeholders from across the organisation in deciding which processes it makes most sense to standardise globally.

Making harmonisation a reality

How to deal with the practicalities involved

It is often seen that companies decide for all the right reasons to harmonise and standardise their processes. They often introduce new standardised ways of working when introducing a new IT solution to the organisation. However, an IT platform alone will not help you maintain a consistent set of processes. It is simply there to execute whatever has been decided on with regard to processes.

Yet, the problem is not solved simply by agreeing on a new common way of working either. As we touched on in the previous section, there may be dependencies on other business processes and compliance and documentation requirements. There may also be operational details that do not appear in the overall process.

It often comes as a surprise to companies that maintaining global processes requires a significant amount of work, especially in a growing or innovative company. What's more, there is a significant change management task to tackle alongside the standardisation in order to keep the organisation motivated.

A step-by-step approach

Once the project team has documented and cross-referenced future business processes and sub-processes, they are ready to be implemented.

In an ideal world, this would occur after you have chosen the ERP platform to build the business model on. In reality though, in most cases this is when the existing ERP is configured or when adaptations or upgrades are made to a pre-selected ERP platform. It is important to have a method for putting harmonisation into effect in the organisation. A step-by-step approach is recommended in the following sequence:

- Analyse, simplify and re-engineer the process
- Simplify documents (output in general) and eliminate repetitive data
- Harmonise data with international standards
- Standardise the format of documents and forms
- Develop an electronic trade documentation system (such as e-Customs declaration, e-Manifest, e-Invoice) and e-Single Window environment

A roadmap and high-level plan outlines the optimised Corporate Requirement (CORE) business processes and implementation priorities. Having identified implementation constraints, one option is to undertake a prioritised, or phased, process approach to improving implementation. For the sake of speed and creativity, an agile project model may be used.

The bottom line

Identifying the right business process candidates and implementing harmonisation in a methodical manner can help you achieve maximum value from harmonisation.

- A step-by-step approach makes change more manageable
- A roadmap and high-level plan helps to prioritise implementation
- A phased process implementation may be used, and an agile project model may be adopted in order to reduce the impact of constraints

By their very nature, optimised business processes are vital to an organisation's success. At the same time through harmonising, communicating, implementing and ultimately maintaining global business processes inevitably consumes resources within the organisation. However, if you focus on key business processes and work towards them in a structured way, then you can get maximum value out of harmonisation.



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