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LOCAL ERP DEPLOYMENTS

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Local ERP deployments - preparing to overcome the challenges

This paper will briefly introduce you to the sociocultural and technical challenges of local ERP deployments, which are often ignored or underestimated by international organisations at their own peril.

Index

Introduction

Harmonisation of processes and data across an international organisation can add value to your ERP project and ultimately to your business. When it comes to actually deploying the solution locally, however, there are significant challenges, which are often overlooked or underestimated. Whether miscalculating the challenges associated with language and the local way of doing business, or not preparing for the practical and technical issues surrounding system implementation, the result can be damaging.

There are many factors that differentiate an international ERP project from a local one. Reaping the benefits associated with harmonisation requires greater preparation, a stronger focus on communication and dialog, and tighter project management.

PREREQUISITES FOR SUCCESS

One prerequisite for success is that headquarters show great care and interest in how they handle the relevant demands of local sub-

sidiaries. It is, after all, these precise differences that make the company competitive on the local market. This paper focuses on the practical sociocultural and practical technical issues that need to be tackled as a prerequisite for success.

Pressures and opportunities

IS HARMONISATION THE KEY TO DEALING WITH GLOBAL TRENDS?

Harmonisation of global processes can be the key to optimising processes in a global market. Yet, an international ERP project's greatest barrier is often internal resistance from local users. This friction is not there because users do not want new and better systems, but rather due to internal politics that interfere with the daily collaboration between headquarters and subsidiaries. These tensions can be amplified when the organisation undergoes major changes.

In fact, according to Market Insight and Consulting firm, Lindberg International, 84% of international organisations say that they experience problems or challenges associated with friction between headquarters and subsidiaries or distributors, and 43% say that this negatively impacts their bottom line.

These frictions can act as a hindrance to implementing global processes controlled by headquarters. Yet paradoxically, they can also be a primary reason to do so. After all, if handled well, harmoni-

sation can stimulate synergies that result in greater cooperation between headquarters and subsidiaries and increased competitiveness.

The bullet points below show some sociocultural and technical factors that stimulate and motivate companies to move to a standardised system and processes. In addition, there is a general need for better quality and faster flow of information because the demands on cost and process control are continuously rising due to global competition.

Motivating factors for standardisation

EXAMPLES OF SOCIOCULTURAL FACTORS

- Organisation: The business supply chain changes
- International business: border and business restrictions are relaxed
- Market conditions: Production centres moved to low-income regions
- Market demands: Increased demands on delivery time and product quality

EXAMPLES OF TECHNOLOGICAL FACTORS

- Savings: Reduced broadband and communication prices
- New tools: Cloud/internet applications improve value-chain processes
- New opportunities: Internet enables access to new markets and channels
- Administration: Technology enables common service centre

It is then, not so much a matter of whether to deploy a standard solution, but rather how and to what degree to allow for local flexibility. Before even contemplating the what, when, where and how of a global deployment, however, it is important to be aware of the challenges you will face. This section touched on some of the opportunities and pressures associated with sociocultural factors. The next section will look at sociocultural challenges organisations face when deploying locally.

THE BOTTOM LINE

If executed well, harmonisation of processes can both reduce friction between headquarters and subsidiaries/distributors and help a business deal with global market pressures:

- Completion and market demands are increasingly challenging
- Globalisation is opening new market opportunities
- Improvements in technology are enabling optimised processes

It's a small – but still diverse – world

THE SOCIOCULTURAL CHALLENGES OF LOCAL DEPLOYMENT

The last section outlined some of the reasons international companies are looking to harmonise processes between headquarters and subsidiaries and distributors with the help of an ERP system. This section looks at some of the sociocultural challenges they face when attempting to deploy the ERP solution locally.

Sociocultural differences can affect everything from communication and scheduling to decision making and organisational behaviours. The challenges are often more profound than one might at first think and can even jeopardise the success of local deployments of a global ERP solution. In fact, in order to help tackle the sociocultural challenges you will surely encounter, you should always employ a local contact you can consult with from the very start.

DON'T UNDERESTIMATE THE CHALLENGES OF LANGUAGE AND INTERNATIONAL TIME DIFFERENCES

The decision to use English as the official company language for international IT projects may seem simple, but it is often difficult to ensure that English is used consistently. It brings with it an inherent risk of misunderstandings because it is not the native language of project participants, and project leaders can quite naturally be reluctant to admit that they have not understood all the details of what has been communicated. It may seem banal, but even in a number of European countries and companies, this problem is widespread.

Another thing to be aware of is the fact that working across time zones can stretch workday hours to double. What is more, communication is often delayed due to the time difference. In the worst case, this can mean project milestones are delayed.

WHEN IS WORK NOT JUST WORK?

Holidays, work hours and decision-making processes all have local work-related differences, which can be underestimated. Local work culture can bring many challenges with regard to planning and execution of a centrally coordinated subsidiary project. Normal local practices for work hours is one area that can cause issues. There

are, for example, special considerations with regard to countries that take a siesta, which can also be a seasonal practice. Then there are local vacation periods.

Productivity levels are not always completely comparable between countries. In the Middle East, for example, the weekend is from Friday to Saturday, and normal working hours vary from country to country. Then there is the Chinese New Year, and religious and national holidays.

Even global organisations can be affected by local cultures to one degree or another, and sometimes national culture and norms are even stronger than the global culture. There can be cultural differences in decision processes, such as the Ringin practice in Japan, which calls for an extreme level of consensus on decisions compared to many other countries. It is therefore strongly recommended that you make an effort to learn the local conditions. Richard D. Lewis' book, When Cultures Collide, offers a foundation for understanding how to deal with a foreign culture, including executing a realistic plan and how to lead the project.

THE BOTTOM LINE

- Don't underestimate the communication barriers of language and time differences
- Don't assume that productivity levels are directly comparable
- Make an effort to learn the local business culture and practices

The devil is in the details

DEALING WITH PRACTICAL AND TECHNICAL CONDITIONS

The last section looked at some of the more intangible, yet often formidable, challenges that sociocultural differences present for local deployments of an international ERP solution. Technical challenges are often much more straightforward by comparison. Nevertheless, your international strategy should take into consideration local infrastructure, regulations, and data and resource issues. A company may have a theoretical ambition to reach complete harmonisation of processes, but you are always limited by the compromises one must make in order for things to function in the real world.

WATCH OUT FOR SURPRISES IN THE AREA OF BROADBAND CAPACITY

It is necessary to look into local conditions regarding practical matters, such as electrical capacity, internet access and mobile and system coverage. Especially of interest in this respect is the possi-

ble (and often frequent) problems with shortcomings regarding the expected broadband that you were promised. That is why broadband capacity should be addressed in the foundational architecture for the solution and in the choice between central or decentral servers. When a physical presence is demanded in connection to implementation at a subsidiary, it is also worthwhile to investigate political conditions, for example, conflicts and disturbances and visa requirements.

LOOK OUT FOR LOCAL FORMATTING

When deploying locally, you are sure to encounter issues related to local issues. You may encounter challenges related to external documents, electronic bank payments, HR and salary systems, special structures for local accounts and local infrastructure, functionality, resources and compliance to local tax, VAT and other reporting requirements.

CAPACITY AND OPTIMISATION OF INFRASTRUCTURE

Most ERP systems that are relevant for subsidiaries offer real-time information. In practice, this means that one does not have to run batch jobs or other forms of data conversion in order to get consis-

tent data. The drawback, however, is that this real-time updating of data consumes system resources. It is therefore important to be particularly cautious with regard to infrastructure. Make sure that your servers, or cloud platform, and the rest of the infrastructure has been matched to the concrete task at hand including the number of users. It is also important to note that a server in an ERP environment will normally require regular maintenance in order to keep up stable operational performance. In large installations that serve 250 or more users, operational planning should be carried out. Some companies have reviews twice a year where changes to the configuration are suggested by external experts.

THE BOTTOM LINE

When dealing with the reality on the front line, it is important to deal with the details of local technical specifications and conditions meticulously.

- Connectivity and capacity should be addressed in the architecture
- Local document formatting and account structure needs to be taken into consideration
- Show caution when dealing with server / infrastructure capacity

Implementing an ERP system across international boundaries is an opportunity to harmonise processes in an international company. The more you harmonise, the greater the foundation for synergies that can save you time and money. The very attempt to implement global processes, however, can increase any existing friction between headquarters and subsidiaries or distributors.

If, however, you show the necessary attention and care with regard to local deployments of a global ERP solution, then you go a long way toward reducing those frictions and optimising global processes.

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At ANEGIS we help international organisations optimise, streamline and harmonise processes every day. If your company is planning for increased visibility, efficiency and collaboration across your international organisation and want to have the best possible return on your investment, then let's have a talk about how we can assist. Contact **info@anegis.com**

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