FROM LOCAL TO GLOBAL

DERIVING MAXIMUM VALUE FROM HARMONIZATION

This paper outlines the importance of identifying and prioritizing the right global business processes to focus on in order to obtain the greatest possible benefits from harmonization.

INTRODUCTION

The potential benefits of business process harmonization are both far-reaching and substantial. Implementing uniform processes on a common IT system across an international organization 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.

Harmonization can also increase the operational and transactional efficiency of information exchange between systems by way of deduplication, and by promoting new ways of working, for example with the establishment of shared service centers.

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 standardized processes and the resources required to implement them. Significant resources need to be devoted towards motivating the entire organization and managing the standardized process on a long-term basis. What is more, in some cases, local conditions prohibit standardization in which case, distributed power is actually more efficient.

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

IDENTIFYING CANDIDATES

WHICH PROCESSES PROMISE THE GREATEST POTENTIAL?

The harmonization 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, harmonization 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 harmonization. The next section will deal with how to adjust the processes to make them uniform.

In order to find the best candidates for harmonization, 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 harmonizing the identified processes. Finally, narrow it down further by choosing to harmonize 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 organization 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, analyze 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 organization.

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 harmonizing 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 ýour ERP system in order to implement them across your organization.

3. CHOOSE PROCESSES WHERE ONE GLOBAL STANDARD CAN BE ACHIEVED

It is not practical to standardize 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 harmonized across every organization. The level of harmonization can range from one common standard to incorporating all variants of the most extensive customization imaginable. Rather than forcing standards then, it is wise to take the middle road where internal stakeholders from around the global organization 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 standardization 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 standardize processes and integrate them in the IT system, as shown in the illustration 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
- Centralized management often applying functional/process/business unit matrices
- High-level provess owners design standardized processes
- Centrally mandated databases
- IT dicisions 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
- Centralized (or federal) control over business process design
- Standardized data definitions but data locally owned some aggregation at corporate
- Centrally mandated IT sevices

Source: Ross J.W.; Weill, P. and Robertson, D.C. (2006) Enterprise Architecture as a Strategy. Harvard Business School Publishing, Boston, MA.

The lower the demands for standardizing 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 harmonization in your favor, 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 organization in deciding which processes it makes most sense to standardize globally

MAKING HARMONIZATION A REALITY

HOW TO DEAL WITH THE PRACTICALITIES INVOLVED

It is often seen that companies decide for all the right reasons to harmonize and standardize their processes. They often introduce new standardized ways of working when introducing a new IT solution to the organization. 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 is more, there is a significant change-management task to tackle alongside the standardization in order to keep the organization motivated [See also Change Management: How to break down resistance and influence behavior].

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 adaptions or upgrades are made to a pre-selected ERP platform.

It is important to have a method for putting harmonization into effect in the organization. A step-by-step approach is recommended in the following sequence:

- Analyze, simplify and re-engineer the process
- Simplify documents (output in general) and eliminate repetitive data
- Harmonize data with international standards
- Standardize 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 optimized Corporate Requirement (CORE) business processes and implementation priorities. Having identified implementation constraints, one option is to undertake a prioritized, 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 harmonization in a methodical manner can help you achieve maximum value from harmonization.

- **A step-by-step approach makes change more manageable**
- **A roadmap and high-level plan helps to prioritize 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, optimized business processes are vital to an organisation's success. At the same time, though, 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 harmonization.

WHAT'S NEXT?

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