
Local knowledge and expertise are essential ingredients in the definition of local requirements, but the timing of the involvement of local stakeholders also has a significant impact on the success of the project. By involving local stakeholders too early in the ERP project you risk to complexify the company's overall processes and solutions, and too late involvement could create unhappy local users who consciously or unconsciously work against the project goals. A good way is to involve the local users to review the solution description and make comments instead of letting them participate in the initial functional definition.

Regardless of the approach you choose, the local requirements need to be identified, processed and defined before the system is implemented locally.

THE RELATIONSHIP BETWEEN HEAD OFFICE AND SUBSIDIARY

A lecturer at an ERP Conference once said:

“An ERP implementation is a more complex and more extensive task than a heart transplant, and it requires careful planning and preparation of both the patient and the surgeon”.

Suppliers of ERP-systems are expected to perform a defined task and they have time set aside for the project. As a customer this means an increase in project-related work. Next to the project-related work, there is also the normal workday for the project team, which must also be taken care of. This increased work pressure is often underestimated. It means that the quality of decisions may decrease during the project, with the risk of seeing problems emerge later.

A project plan should include all activities in a project – whether it's internal or external activities – so that you can make a realistic readiness assessment of your own organization, which will also include an analysis of the general understanding of the purpose, objectives, resources and expectations for the project and process. A premature start will have negative consequences throughout the entire project.

A competent local manager will make objections to the decisions that do not support the local business. It is necessary to have a respectful approach to the local subsidiaries and their requirements, even if the project is centrally managed, and there is a desire to get the project completed “as quickly as possible”. Management must continuously assess whether the necessary resources are allocated in order to achieve success goals. Those who are protesting today are those who will have to be the supporters and evangelists of the system tomorrow.

It is becoming more and more common to apply agile and iterative methods to complete the projects faster. It makes the results visible and motivates the project participants to embark on the next phase of the ERP project. In general, it is more manageable for users when the individual activities are well-designed and linked with realistic milestones.

MAKE SURE YOU KNOW WHO IS DOING WHAT

It is essential that the tasks and responsibilities of the various components of the project are clearly defined and agreed upon. It is also the case in a regular national ERP project, but if the company wants to preserve the advantages of having a uniform platform, it also requires that it is maintained as a uniform platform, where there is strict control of extensions and customizations to the solution.

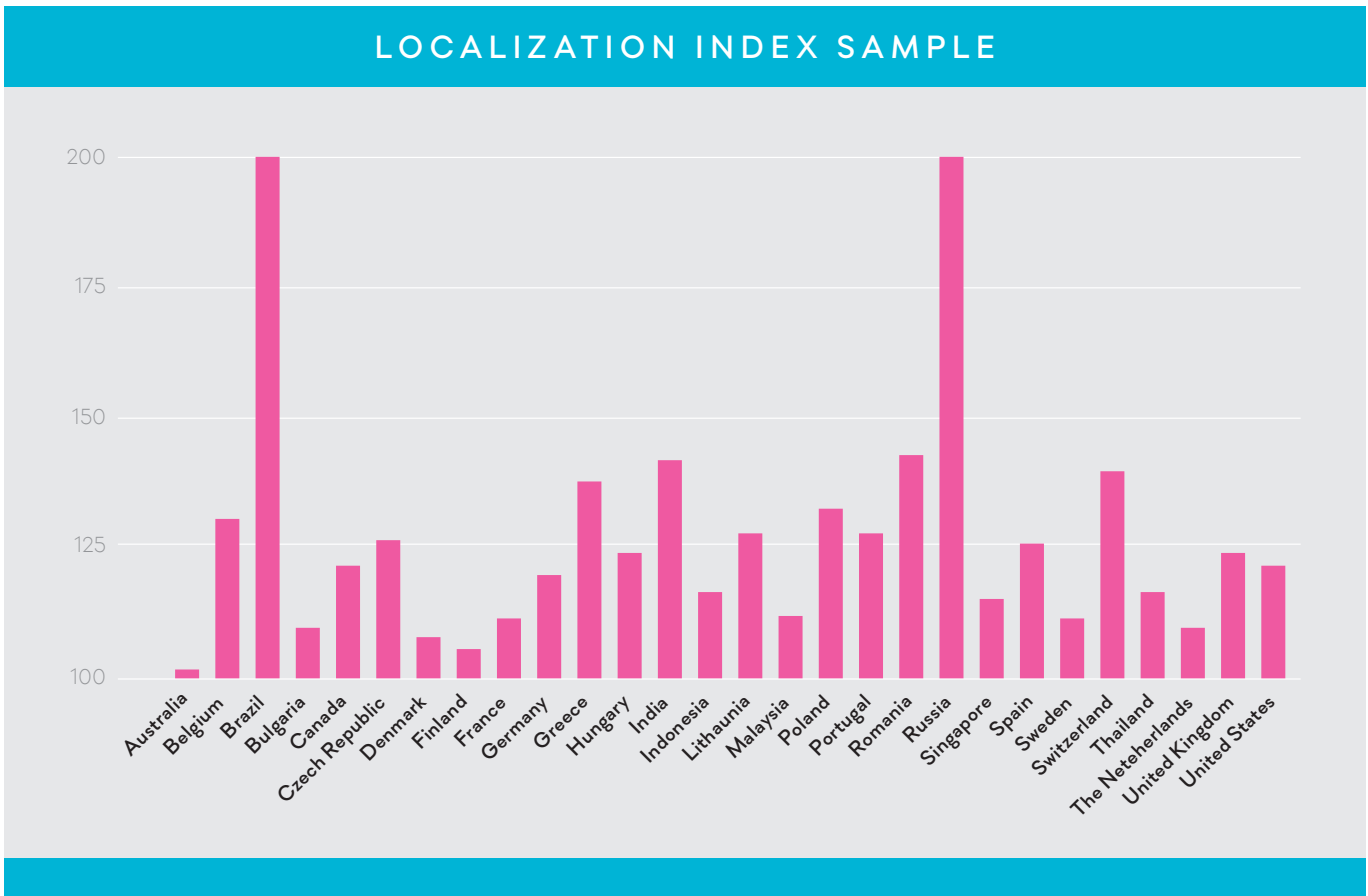
In order to get a good flow, it is necessary that the solution strategy is explained and reconciled with the subsidiaries, as well as it is important to clearly define how to handle, approve and implement change requests. There are many more stakeholders in a project covering several countries, and if roles and responsibilities are not clearly defined, it can slow down the progress of the project and be the cause of misunderstandings and increased costs along the way.

It is a good idea to carry out a stakeholder analysis and describe the communication and responsibilities that will be applicable in the ERP project.

LOCAL REQUIREMENTS: LOCALIZATIONS

There are really big challenges associated with implementing ERP systems across borders. There are the basic regulatory requirements around, among other things, VAT, taxes, regulatory requirements. There are various options for internet access, language can be a barrier and finally culture plays a major role – or rather the difference between different cultures – also within the same company.

We have analyzed the degree of diversity in regulatory requirements between different countries. We have set the global common denominator (Localization Index) as index 100.



CROSS LOCALIZATION INDEX COMPARED TO DENMARK

If a country has a localization Index of 110 and another country an Index of 105, the cross-localization index of the two countries will be at 115 ($100 + 10 + 5$). The Cross Localization Index shows how much gap there is between the two countries' local legislative requirements in a business management solution perspective. In the above graph Denmark has a Cross Localization Index of 109, meaning that our Cross Localization Index in relation to, for example, Turkey is 130.

We have a subjective limit around index 125. If the index is under 125 it is simple while indexes over 125 are complex.

If the solution includes several countries you can use the Cross Localization Index to calculate the multiple Cross Localization Index between the countries calculated.

Example. A company wants to implement a core ERP system in Denmark, Germany and Malaysia. We want to calculate the multiple cross localization index to assess the complexity of the task.

100 +	Denmark	Germany	Malaysia
Denmark	0	29	23
Germany	-	0	34
Malaysia	-	-	0

Cross Localization Index = 186, so a complex task

ASSESSMENT OF IMPLEMENTATION COMPLEXITY

You can also work with the index to define the complexity of local implementations. See below an example of how a scorecard can be built: (a company can build its own model to fit the specific situation)

- **Language:** English-speaking resources locally. Can they work in English?
- **IT infrastructure:** accessibility, Internet access, power, risk of theft, etc. (0-3)
- **Localization:** complexity of localization (0-3)
- **Transparency:** we know what is going on, is there a local partner we can trust (0-5)
- **Culture:** we work with the same efficiency and standard (0-5)

Area/Country	Denmark	Germany	Malaysia
Language	0	1	1
IT Infrastructure	0	0	2
Localization	0	1	1
Transparency	0	0	0
Culture	0	0	1
Total (Risk)	0	2	5

MANAGEMENT OF CHANGE REQUESTS

When there are local differences, there will also be a need to raise change requests along the way in the project. When an ERP implementation is highly dependent on the consistency of processes, there is a need to analyse the consequences of a desired change before it is approved and implemented, since mistakes can result in significant costs and a loss in productivity. Suppose that a country wants that their salespeople should be able to manually give a discount on a sales order to match local competition, while the other countries should always maintains a fixed predetermined customer/item discount structure. In this case, you should carefully consider:

- **Should we be able to block the functionality for some users and is it per country or individually?**
- **What if the need arises in other countries later on, how can the functionality be reused?**
- **What will it cost to implement now and in future updates?**
- **Will this change require an update of training materials and other documentation?**
- **Will it require additional user training and support organization?**
- **Are we talking about a global or local process, and who is the owner of the process?**
- **Does the company have a specific policy about pricing that should be accessed/consulted?**
- **It is a necessary requirement, what is the consequence of failing to comply to it?**
- **What is the consequence of enabling manual discounts?**
- **How do we secure against manual error in pricing – for example, that DB is not below a certain level?**

The complexity increases when there are several countries and thus several stakeholders involved in the process. Users may find that it takes longer to get changes implemented, especially if they have been used to working with a local supplier who has acted more quickly to change requests.

It is beneficial to define a change process and a strategy for handling change requests. It helps to manage expectations about future wishes, it provides the ability to communicate more effectively and at the same time, it is the model to ensure the evaluation and prioritization of the various change requests.

10 TIPS FOR ERP ACROSS BORDERS

1. ESTABLISH AN IMPROVEMENT CULTURE:

The shorter the phases of a project can be divided into, the greater is the chance of success. Prioritize what is most important first, and always have a future phase planned, where you can park unresolved tasks or change requests. This way you will be able to maintain a direction without losing momentum.

2. FIRST YOU UNDERSTAND, THEN YOU SIMPLIFY:

If you automate a process which is complex, or that you do not fully understand, you will get a complex system that you don't understand. That is why you should follow this flow: create understanding, simplify, automate. You cannot build systems before your processes are optimized. In other words, start in good time.

3. THINK QUALITY AND OWNERSHIP TOGETHER:

Quality assurance outside a process is overhead. Quality assurance incorporated in a process is proactivity. Processes that have built-in quality assurance provide the best basis for innovation and consistency in implementation.

4. DO NOT UNDERESTIMATE LOCAL CONDITIONS:

Whenever you assume something about ERP systems across borders, assume you're wrong. The surprises are always hidden in the details, not in the main processes. Never underestimate local complexity and make sure to involve local stakeholders.

5. CLEAN UP PROCESSES:

The implementation of a new system is hard work against habitual thinking and old action patterns. Some deviations are necessary, others are simply a reminiscence from previous workflows. Clean up the processes and requirements. If they are not formalized, then eliminate them. It is a much bigger task to implement and embed a global process, than it is to define it.

6. MAKE SURE THAT THE PERSPECTIVE IS ANCHORED:

Most users automatically think functionality when a new system is evaluated. They are thinking; how can I make my current work in the new system. It can result in the optimization of parts of processes, but more often there is greater value in an evaluation against a future state scenario.

7. CHANGE MANAGEMENT:

There will always be changes. Therefore, think of change as something good, as something that creates new possibilities, translate the need for change to a language the various stakeholders understand and you will gain greater organisational support for the change.

8. INTERNATIONAL IMPLEMENTATIONS HAVE GREATER POTENTIAL:

Increased structure and fixed processes are not necessarily the right model for all. A company can run on principles and values alone without a single formalized process. But when it comes to international ERP implementations structure is necessary to guarantee a bottom line lift. And because many processes are repeatable from one country to another, you can achieve great synergies by having an appropriate structure that can be reused widely within the organization.

9. SURPRISES LIE IN THE DETAILS:

In practice, the plan never fits 100%. There will always be ongoing fine-tuning of the project caused by internal or external changes. Plans are only worth something if they can be adapted to the changed conditions for success. And changes within a project may actually be something you continuously are searching for in order to be able to identify and realize new potentials and synergies, but make sure there is a formalized process for managing change requests, so you ensure a realistic process and functional definition of the project.

10. IT IS A COLLABORATION:

You cannot just enter into a fixed-price contract with a supplier and transfer all responsibility to them. An agreement alone cannot guard the company against mistakes – such agreements can, in some cases, turn out to have the opposite effect. A good and professional communication is far more productive for the project.

WHAT'S NEXT?



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