

Global transformation readiness: Is your organization really prepared?

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As the drive for organizations to optimize and standardize their businesses globally increases, many are finding it difficult to define the appropriate global transformation strategy and to manage the resources, capital, technology, and information necessary to achieve the optimal level of globalization. Companies can optimize their level of globalization through a wide continuum of transformation strategies. For technology-enabled global transformation initiatives, organizations must answer tough questions about how the business operates currently and its future desired state. While any kind of transformation initiative will raise these questions, the challenges are amplified for organizations undertaking global transformations. And while there are no “right” or “wrong” answers to these questions, the answers themselves can provide critical information on how each individual organization should proceed.

Today, many global transformation initiatives either fail to reach their end goal or take substantially more time and resources than originally planned because of unanticipated challenges. Some companies discover that new processes

and technologies are required to encompass the myriad of variables entailed in transformation. Other organizations find that they lack the organizational capacity, internal experience and knowledge to drive a global transformation initiative. Without having completed the work necessary to understand the business’ current state and target destination, it is next to impossible to attain a successfully transformed future.

Assessing the organization’s current state helps to uncover and bypass potential challenges before they occur. Performing a readiness assessment can offer a realistic picture of how much work needs to be done in preparation for the larger project. Such an assessment helps define which key business areas are the right areas to drive towards global standardization and what areas should remain regionally focused. And while there are no absolutes in this discovery work, what you find out will help to effectively structure your implementation.

There are five key areas that organizations should consider in assessing their global transformation readiness and defining their current and target states:

- Business model: Identify where and how your company operates
- Governance model: Understand your decision-making framework
- Data and reporting: Define the right level of data and information standardization
- Infrastructure: Acknowledge and reduce complexity
- Organizational capacity and capability: Uncover gaps in leadership, experience, and knowledge

To avoid struggling with global transformation efforts, organizations should examine these areas — from both a current and target state perspective — before embarking on such a complex and expensive initiative. They should also ensure each of the areas above has a future state that is closely aligned with the targeted business model and operations.

Criteria	Current State	Gap between Current State and Target State				Target State
		1	2	3	4	
Business model	<ul style="list-style-type: none"> • Highly varied from country to country 					<ul style="list-style-type: none"> • Common business and process model
Governance model	<ul style="list-style-type: none"> • Independent decision rights by silos 					<ul style="list-style-type: none"> • Clear and single decision chain of command
Data and reporting	<ul style="list-style-type: none"> • Few commonality in data definition and metrics 					<ul style="list-style-type: none"> • Global data and metric definition
System infrastructure	<ul style="list-style-type: none"> • Application and infrastructure driven locally 					<ul style="list-style-type: none"> • Highly common application and infrastructure footprint
Organization capacity/capabilities	<ul style="list-style-type: none"> • Locally focused workforce/keep "lights on" capacity 					<ul style="list-style-type: none"> • Global workforce with "big change" capacity

● Current State ● Target State

Figure 1: Sample Current & Target State for Five Key Transformation Assessment Areas

The business model — Where and how does your company operate?

Does your organization understand the underlying driving business force of the entire organization? One of the most important first steps to global transformation is to understand how common your business model is across the globe. For example, if your desired future state is to run a global sales operation, but your current business model is one where the organization sells to businesses (B2B) in one country and to consumers (B2C) in other countries, it is time to solidify your global business design. Do you want to operate distinctly different sales operations for distinctly different segments? Or, can you standardize with a common sales process?

For companies that have grown through acquisition, business variations and decision trees tend to be more complex and geographically governed or administered. Because processes are tweaked over time, these organizations can experience more time-intensive and costly transformations. For these companies, it is even more critical to spend the necessary time on business model assessment prior to transformation. In evaluating your business model, consider the following self-assessment checklist:

Business model readiness considerations

- Where do you operate?
 - Do you share a global, regional or local customer base?
 - Is your supply chain globally integrated?
 - In which markets is your business still growing and evolving, and how are you expanding your portfolio?
 - Are you planning to develop or acquire new lines of business?
- How do you operate?
 - Are your processes executed the same way? How much variation do you have in your processes across the different countries and business units?
 - Are these variations driven by country-specific legal requirements, cultural differences, or market demands? Variations can also naturally occur through acquisitions depending on how much operational independence the acquired company retained.
- Can your company transform from fragmented and non-integrated business units to a common global process orientation with cross-communication, design commonalities and sharing of best practices?

Governance model: Understand your decision-making framework

The global governance model puts a framework around how the organization makes decisions at a global level. If you are seeking a global process definition, your governance may need to change first. For example, if business units currently have autonomy to design and manage processes independently, then global standardization is more difficult to achieve. Organizations that start transformations without addressing their decision-making framework always struggle with harmonization of business processes and other critical transformation decisions.

When the organizational structure is not aligned with the transformation objectives, the path back to the old way of operating is hard to resist. End-to-end global process owners are instrumental for successful and sustainable change. Without global process owners, decision-making becomes time and resource intensive — and ultimately ineffective. For that reason, up front agreement on the priorities and expected outcomes of the transformation among business areas must be achieved. Clear attention should be given to qualitative and longer-term objectives as well — for example, sustaining common processes to enable faster mergers and acquisitions in the future. To better assess your governance requirements, consider the following governance readiness criteria:

Governance model readiness considerations

- How does your organization make decisions?
- Who has decision rights?
- What is the breadth of decision rights?
- How will accountability be assigned and monitored?
- Is your organization organized by function, country, or other silos?
 - If the business is run more local than global, setting up a “global process owners” structure will allow for clear decision making as new global processes are being designed.
- Are performance metrics (business and process metrics) defined globally or has each country or business their own definitions?
- How far do you want to drive global performance indicators?
 - For instance, a manufacturing company that wants to make global manufacturing decisions needs to have a common definition of ‘cost of goods sold.’

Data and reporting: Achieving the right level of standardization

Even with a sound business model and governance framework in place, the organization will not be able to make informed decisions without the appropriate level of data standardization. The nuances and level of data standardization required for an organization’s optimal future state varies. Data and reporting standardization requirements are partly dependent upon the organization’s operating environment. Common metrics require common data definitions. Chemical companies, for example, drive a high level of standardization in reporting because they leverage common materials, processes, and customers globally. To help determine the optimal future target for data and reporting transformation, consider the following readiness checklist:

Data and reporting readiness considerations

- Evaluate your current master data model and determine the following:
 - Do common data and metric definitions already exist?
 - Do you already have global data governance processes?
 - For example, material data for a chemical manufacturer will probably be mostly the same country to country while a consumer retailer will have widely varied articles from country to country. Hence, your governance structure will vary depending on who and what you are.
 - How far do you want to drive global data standardization? (Let the business case and business objectives help you.)
 - For a company that produces the same product using the same processes globally, standardized global reporting makes sense. However, don’t drive data standards that will not provide any business benefits.
 - Identify areas where you want to leave local variations.
 - Do you consider data a core strategic asset?
 - What data domain is the most valuable asset?
 - For example a medical device manufacturer might consider their research data to be the most valuable.

System infrastructure: Acknowledging and reducing complexity

The state and complexity of the organization's existing systems infrastructure arguably has the greatest impact on the complexity and associated level of effort. Even if the business model is global in nature, the governance model is properly aligned, and the data is future-state ready, technology infrastructure issues can derail the transformation project. System disparity is typical for companies that have grown through acquisition since these organizations have the highest level of system diversity. Companies that have grown organically with a common system landscape have a lower level of complexity in this area. Regardless, without a thorough infrastructure assessment, an organization can spend unnecessary resources and capital making incremental changes to the remaining feeding systems to meet the needs of the new global system well into the future. Developing an architecture landscape helps the organization understand how your technology supports your operations. Consider the following infrastructure readiness questions:

System infrastructure readiness considerations

- How does your current IT architecture house and support your data?
- What are your core (business critical) systems?
- How complex and diverse is your legacy landscape?
- How accurate and current is your documentation and operation guides?
- How mature are your service delivery and service support processes (ITIL)?
- What is the volume and validity of the current data?
- Does your IT strategy differ from country to country?
 - This may lead to different, and potentially conflicting, motivations during the future system infrastructure discussion. For example, a global CIO and a local CIO will have different agendas for how to support an IT infrastructure.
- What percentage of your IT is outsourced versus housed internally?

Organizational capacity and capability: Uncover gaps in leadership, experience, and knowledge

While global transformation is an intensive exercise under the best of circumstances, today's current global economic climate adds an additional burden. Organizations are already running lean, focused on driving costs out of the business by arbitrage. As a result, most lack excess capacity in the organization to manage a global transformation initiative. Already stretched for resources, companies

struggle with investments that must be made prior to transformation. For low-margin industries, these challenges are even greater. Retailers, for example, often have little left to cut or leverage for a transformation program. These organizations, especially, must realize the commitment they are making and plan accordingly in order for the transformation initiative to succeed.

In assessing the organization's inherent capabilities, there are no substitutes for experience and no short cuts for the hard work that must be done. While the majority of organizations have capable leadership, these individuals lack specific transformation experience. Transformation leaders must be able to envision and actively think in the future state rather than managing to the current state. Existing resources can be brought up to speed, but it can take years to acquire the level of transformation knowledge required. A better strategy is to recruit individuals with specific transformation experience into the organization in advance. Evaluate your competitors and ask, "Who does it better than we do?" and recruit from those organizations. For further considerations on capacity and capability, review the following readiness considerations:

Organizational capacity and capability readiness considerations

- What was the people requirement of the biggest project to-date?
- Are the changes being proposed scalable?
 - Will the implementation be able to grow at the same pace as your organization or faster?
- Has the company had previous experience implementing globally with complex, large projects?
- How much technical capability and knowledge does your organization currently have?
- Does your organization currently have the resources (quality and quantity) to support the vision of the project?
- Does your organization have people with global business and process knowledge?
- What is the organization's change readiness threshold?

Working toward alignment

With the insights gained across the five key areas discussed here, you should have a more accurate view of your organization's current state, as well as the leap the business will need to take to reach its desired transformative target. Using your original business case, determine if the benefits driving transformation are valid, if they can actually be achieved, and at what cost. Consider current organizational constraints in weighing the feasibility of the transformation program. Is the gap wider or narrower than you anticipated? Is there work that must be done before the project can start — for example, governance or infrastructure changes? Acknowledging and reducing complexity up front while leveraging the strengths of your business can help ensure a more smooth and successful path to global transformation.

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