

CHALLENGES IN ERP IMPLEMENTATION PROJECTS FOR GLOBAL COMPANIES



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1. INTRODUCTION

Implementing an ERP for global companies presents major challenges. What are the top 5 issues that need to be addressed in order to achieve a successful implementation and within established deadlines and budgets?

It is to be considered that the process of globalization tends to become deeper in the coming decades, given the context of greater ease of communication of brands and products provided by the Internet, allowing easy access to the commercialization of goods and services anywhere on the planet, but also by the expansion of the logistics infrastructure, which is increasingly efficient and accessible.

Taking into account the logic of economies of scale, companies that are successful in their countries of

origin see the expansion of their business beyond their borders as a natural step to maintain their growth and profitability.

Within this scenario, the ERP Systems (Enterprise Management Systems) play a fundamental role in ensuring that the business processes that support the company's management flow in a standardized, optimized and integrated manner, generating and making available management information relevant to the decision making.

If the implementation process of an ERP considering only one country already presents a series of issues and challenges to be faced, when considering their use in several countries, other aspects need to be addressed in order to achieve the expected results.

2. CRITICAL FACTORS FOR THE SUCCESS OF GLOBAL ERP IMPLEMENTATIONS

2.1 - Definition of the Technological Infrastructure to be made available for the ERP

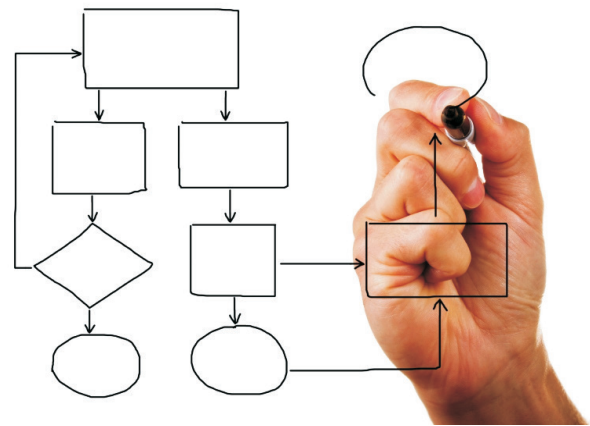
The definition of Infrastructure and Architectural technology to be used goes much further than simply a technical choice. They reflect, in its core, the centralization or decentralization strategy and its possible gradations, to be used by the HQ in relation to the other countries, having as a direct consequence the level of autonomy to be allowed, within the context of the ERP.

Years ago, a centralized architecture strategy for ERP operation in multiple countries was unusual. Typically, what we saw were decentralized architectures in relation to the technological infrastructure, obeying certain specifications, such as servers and database. Standardization almost did not cover business processes and was basically the choice of ERP. The idea was to ensure that the subsidiaries' reports were facilitated by the use of the same platform.

Currently, the trend is for standardization to cover virtually the entire ERP operating infrastructure, involving servers, databases, the ERP and its business processes. The great offer of solutions in the Cloud enhances the vector of total standardization, given the transformation of the financial model that involved the acquisition and licensing of software (CAPEX) to the service model (OPEX), which, in addition to breaking down the high initial investment barrier, reduced installation time and costs.

2.2 - Standardization of business processes

The standardization of business processes can be considered as the main objective for the investment expended in the ERP, which will allow the company and its employees to operate the business in a uniform and effective way, no matter where the operation is located. Usually, the result of this standardization is called a "template".



When the scope of ERP implementation involves several countries, a number of obstacles will be faced such as the language barrier, culture, local modus operandi, tax law, and so on.

In the ideal world, the design of business processes should be developed previously taking into account all the international operations foreseen within the planning horizon established. However, due to the real dynamics of the business, this is not always the case, which contributes to create difficulties ahead of template-based deployment projects that are modified or created during the implementation of a single operation.

In any case, the most difficult obstacle when it comes to the unification of business processes is the tax legislation, which often modifies the events that generate the tax obligations of each country, most of them, affecting the commercial and accounting processes of production costs, with implication in the basic registers that make up the ERP.

Tax requirements in some countries are so volatile and complex to be addressed in the standard ERP that specialized satellite systems are often needed, which need to work together to mitigate the financial risks involved in non-compliance.

2.3 - Support Structure to the implementation and post go live help desk

Regardless of the size of the company, the maintenance of multidisciplinary teams in all matters involving an ERP is a huge challenge, aggravated by the business dynamics that impose new requirements in the systems area at all times, consuming the availability of existing human resources.

Usually, in implementation projects, companies combine their own resources with the hiring of specialized consultancies for technical support, coordination and optimization of the process. When

the scope of the projects involves operations in subsidiaries located in other countries, the contracting of local consultancies is fundamental, since problems related to language and tax aspects, for the most part, become insurmountable barriers, given the lack of human resources capable of supplying this knowledge.

Thus, during these projects, external consultants will provide the necessary support to local users, empowering them and guiding them to the best job of the ERP platform in the country. Anyhow, once the implementation is complete, user support and system operation will continue to be demanded. This support can be provided by the parent company, or contracted externally from a local consulting firm, or a combination of the joint operation of both.

Support from outside consulting becomes more important as local laws and requirements become more complex. Regardless of whether internal or external support is provided, the best business practices for quality management and support effectiveness involve the adoption of call logging tools, categorization of calls into priority levels for service, definition of "Service Level Agreement" for each priority level, as well as user satisfaction surveys at the end of each record.

2.4 - Change Management Process

In a global environment where all infrastructure is centralized, tracking changes and new configurations becomes critical to getting a global view of everything being modified to meet country requirements. Only with this control can we be sure that a change made to suit country X will not affect the operations in a country Y.



Within the technical architecture of an ERP such as JDEdwards, it is common for objects and program codes to be unique and common to all companies and countries in the group. In this case, tracking any changes in program codes becomes vital to ERP's health.

Segregating changes, by country, within programs becomes an important issue to be addressed by the change management team. Regarding the database, we have two possible scenarios: either all countries share the same database, or each country has its own database. Each scenario has its pros and cons.

In the first scenario, the accounting and financial consolidations and the global reports are easily obtained, since the database is unique in all the countries of the group and following standards defined by the corporation. On the other hand, access and change to common tables must be controlled, and there is usually a global team responsible for the main registries of the system.



In the second scenario, changes (new registrations and changes to existing ones) are simpler, since one has to be certain that they will only affect the country

in question. On the other hand, it requires integration of data into accounting and financial consolidations and global reports, because the data is not in the same database. Also communication among all countries in the group must be very efficient so that the data to be consolidated is always following the corporation's standards.

2.5 - Security Issues



The implementation of a Corporate Security Policy for the ERP, considering the environment of each company, is a highly critical factor to avoid external and internal problems of access and misuse.

In environments where there is a single database serving all countries, it is essential to put in place a security policy, ensuring that data from a particular country is not changed, and often not seen by users from another country.

This aspect of security in the JD Edwards solution can be handled through the Line Security, where for each user is defined which Business Units or Company can be accessed.

In this regard, we can have users with restricted access to the country where he is located and other users, with a broader access to information from several different countries.

Obviously, all other security types also apply to a common environment: access security, application security, and action security.

During the implementation process, it is essential to review the Corporate Policies and complement them with the needs of each country. Periodically, procedures should be reviewed and nonconformities addressed.

3. WHY IS ORACLE JD EDWARDS A WISE CHOICE AS THE ERP FOR GLOBAL COMPANIES OF ALL SIZES?

With presence in several countries and addressing diverse locations, JD Edwards ERP meets almost every legal requirement of each country, allowing specific settings to be triggered through its parameterizations and settings.

Each user, within the JD Edwards System, contains information about the language in which the system will operate, and the country to which it is associated. From this information, common programs trigger specific locations for Brazil, Italy, or other countries.

The broad flexibility of the solution allows the same common process to be parameterized to meet different realities of each country.

The processes will be local, but following corporate standards, optimizing various activities, such as monthly closing in all areas, and improving the quality of management analyzes, with real-time performance indicators.



ABOUT MPL: MPL has been operating in the Brazilian and South American markets since 1985, having started its operation with JDEdwards in 1993, being the leader of the practice in Brazil.

It has performed hundreds of JDEdwards implementation projects in Brazil and more than 60 rollouts in the territory.

It consolidated a broad knowledge of the legal aspects of Brazil and of all the market best practices that are applicable to Brazilian companies, having developed its own methodology for conducting rollout projects.

It has expert consultants in various industries and areas of competence of JDEdwards with more than 20 years of experience.

It maintains a business unit focused on JDEdwards support, helping more than 3000 end users in various versions of WorldSoftware and Enterprise One, applying its own methodologies and tools focused on the approval and testing of the deployment project.

Developed accelerators for the implementation process that reduce risks and deadlines.