



## DIGITAL DISRUPTION AND GLOBALLY INTEGRATED ENTERPRISES

### – A CASE STUDY

Digital Transformation  
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## ABSTRACT

We are living in an era of unprecedented change and business complexity. The best of yesterday's strategies seems barely adequate to the challenges today. The business world has become faster, flatter, and more complicated. Trade and investment barriers are in a state of flux. Information & Communication Technology has become the backbone of a globalized economy; digital disruption is resulting in global infrastructure, open systems & platforms, and IP asset-based services. Availability of virtualized digital infrastructure has enabled knowledge workers across the globe to compete with local players, manufacturing firms enabled by sophisticated global logistics are operating in low-cost markets. The need to work faster, better, cheaper, and with partners across the world, to remain relevant and competitive is realized. This disruption has resulted in the need for creating multinationals to a globally integrated enterprise.

This case study details a sizeable electronic Industry client converting itself to a real Globally Integrated Enterprise to address challenges and opportunities provided through digital disruption.

The Program Management of such initiatives includes business process transformation, global templates, the transition to new org design and measurement of realized business benefits at logical steps. PM community needs to partner with clients on business strategy and go beyond managing scope, time, cost, and quality. Pilots & Prototypes become an integral part of the somewhat flexible plan to show flexibility due to complex risk management. Many reusable assets are created, and managing change in the organization becomes relatively complicated.

## INTRODUCTION

*"May you live in interesting times"* goes a Chinese greeting. We are getting more than we asked for. Digital disruption is making the business world faster, flatter, and more complicated. While Information Technology drives our daily lives, and sophisticated communication technology has become the backbone of a globalized economy. The availability of a global, virtualized, and digital infrastructure has enabled business access markets across the globe. Service organizations have access to large pools of high quality, low-cost knowledge workers from across the globe. Global resourcing has become an attractive option to support services like Human Resource Management, Financial Management, Market Research, and IT Services. Manufacturing firms enabled by sophisticated, global logistics are operating in low-cost, global manufacturing markets. Businesses realize the need to work faster, better, cheaper, and with partners across the world, to remain relevant and competitive.

As IBM's CEO, Sam Palmisano says (1) "When everything is connected, workflows to the places where it can be done best." Movement of work is a truth of trade in goods and services that will never change, but the "where" and the "how" can change all the time. The following changes are fast impacting the business environments.

- A. Technologies are becoming disruptive. Social and electronic media makes information reach everywhere much faster. Mobile devices allow access to the latest information anywhere and everywhere. Analytics provides processed information to support decisions. The Cloud has made ample storage accessible from everywhere, and the Internet of things is increasing control of facilities we handle. Big data provides valuable information about accessibility to various market segments.
- B. Robotics, Machine learning, Deep Learning, and Artificial Intelligence are taking automation to the next level and have the disruptive potential both in both the short and long terms. It will take just a couple of breakthroughs in these fields for it to begin significantly impacting the way we do business.
- C. The rate of speed of change has significantly increased. Companies like IBM took 100 years to reach from \$1 billion to \$100 Billion. There are many companies like Apple, Facebook, Nvidia, Amazon, whose wealth grew and is growing, much faster.

## DETAILS OF THE PAPER

### 1. What is Globally Integrated Enterprise

A globally integrated enterprise is a company that fashions its strategy, its management and its operations in pursuit of a critical goal: 'the integration of production and value delivery worldwide' [1].

In the last few years, many multinationals have planned to transform their organizations into Globally Integrated Enterprises (GIE). This business need requires a transformation of the organization's processes to be uniform across the enterprise and scaling up of IT infrastructure to enable such processes. As IBM CEO puts it across (2) that the transformation into a globally integrated enterprise has assumed two distinct forms. The first has involved changes in WHERE companies produce things; the second, changes in WHO produces them. State borders define less and less the boundaries of corporate thinking or practice. The most visible signs of this change can be seen in China and India. By one estimate, between 2000 and 2003 alone, foreign firms built 60,000 manufacturing plants in China.

### 2. The challenges for Program Management in managing a GIE build – A Case Study

The strategic transformation to a GIE involves a transformation in operations, organizational culture, and IT infrastructure. In order to globally support business operations. The region-specific business processes need to be transformed into uniform processes across the enterprise. The standards of governance, transparency, privacy, security, and quality need to be maintained even when many organizations in many countries handle its products

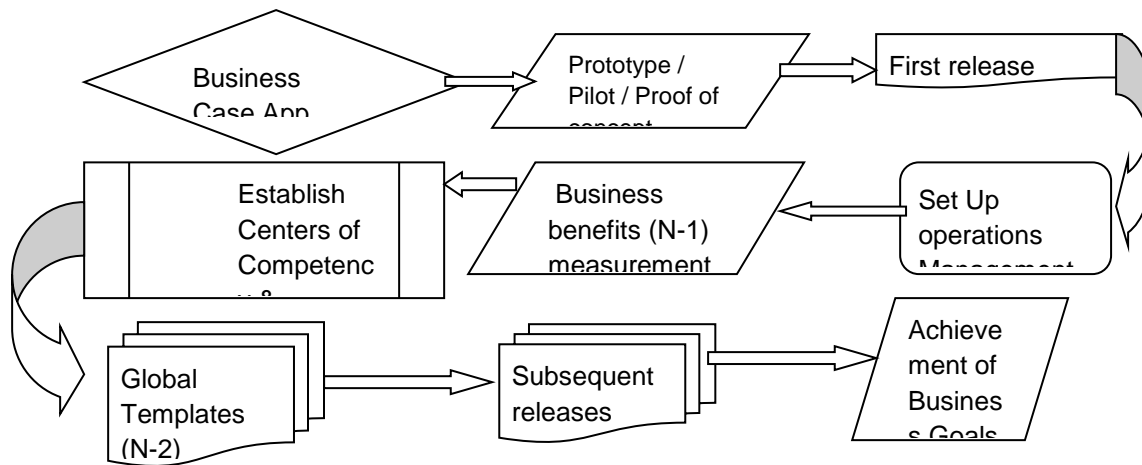
and operations with some differences, which are mandated by the local regulation. IT infrastructure and technology need to scale up to enable global processes, operations, and governance. Significant changes in organizational culture require to be managed, and many new standards for managing a much more complex marketplace are set up.

In this case, a large electronics company went through a significant transformation, which included a change in lines of business from computer hardware to services and consulting. The overall transformation of this large company included converting the organization which is present in more than 150 countries to Globally Integrated Enterprise. The initiative mandated radically simplifying processes, hiring right skills at the right place at right cost and rationalizing support functions for greater efficiency.

**A. Life Cycle of a GIE build program:**

Figure 1 lays out a typical life cycle of GIE program, and Figure 2 specifies the high-level dependencies. As specified prototypes, pilots, rollouts, enhancements, and small projects (upgrades) will fill in the space of the program and shall continue even after the releases/rollouts across the enterprise are over.

Figure – 1: A Typical GIE Life Cycle

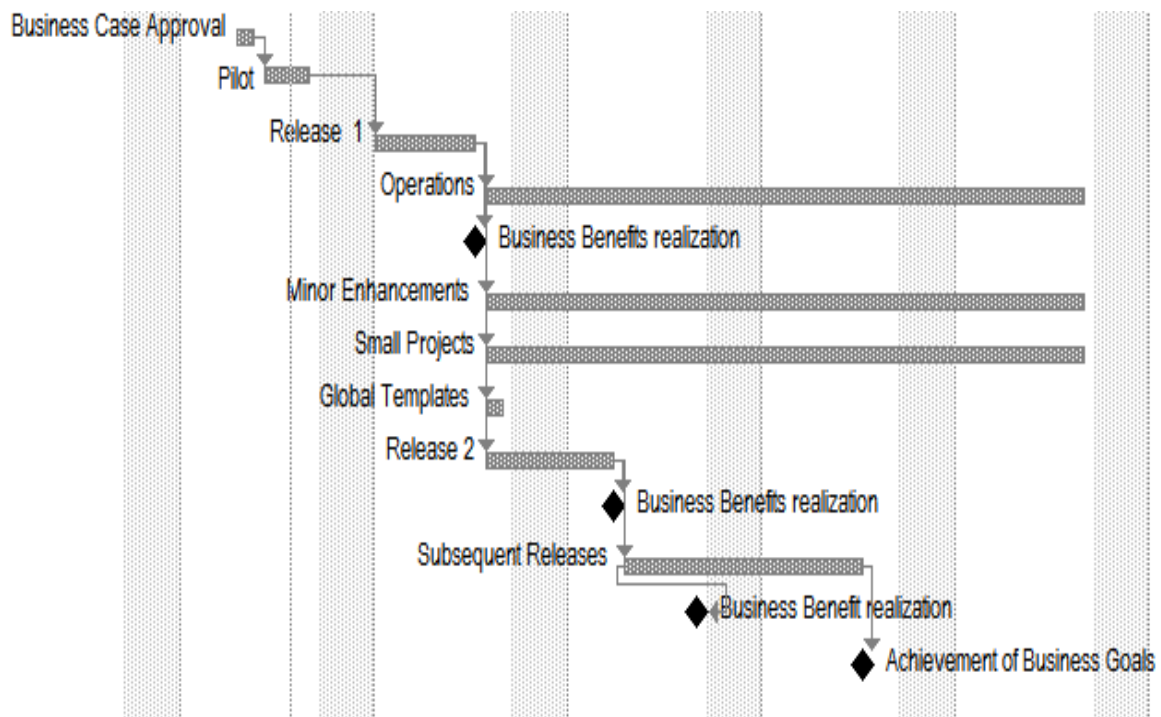


N-1: Business benefits realization measurements are required to be carried out each key milestone. This activity helps to remain focused on the achievement of the business goals of the program and provides data for program sponsor’s expectations on costs, benefit realization and timelines

N-2: Global templates can be developed before the first release. However, developing a global template after the first release and modifying the same during a few subsequent releases is less expensive.

In the case of reference, the client chose six central European countries to carry out the pilot. The selection of countries for the pilot need to consider multiple factors; for example, they should represent the large sample so that the rollouts bring in least surprises. New technologies were tried in a prototype which ran in parallel covering business functionality of one country

Figure -2: A typical GIE Build Life Cycle of process transformation program with dependencies



**B. Managing a GIE Build program.**

Managing a program to build a Globally Integrated Enterprise is complex. The following are a few critical complexities of the GIE build program

**a. Strategic program management approach.**

Building a GIE is a long drawn program which can extend up to 7 / 8 years or even longer in some cases. The program/engagement team engages the clients over a long period to ensure value realization. The need for the

program is defined in the business strategy and measurement of success in achieving the business goals. For example

- Integration and standardization across business units and geographies
- A shift in culture from optimizing some business units to optimizing the entire enterprise
- Substantial improvement in ease of doing business for clients and Business Partners
- The radical transformation of process and IT environment simplifies enterprise controls

**b. Business case:**

The business case explicitly specifies the envisaged business benefits, provides justification and high-level costs, and timelines. The business case of GIE builds somewhat different and complex from other programs since the benefits are realized over a reasonably long period.

Some flexibilities are required in the original high-level plan/business case proof of concept, prototypes and pilot will bring in more realism in the plans. For the client, new technology was used at an enormous scale for the first time after the prototypes were successful, which significantly saved overall implementation time and have proven highly useful to address complex supply chain management functions. Similarly, the use of Agile was adopted and did prove helpful in getting the implemented solutions accepted by the users. Both use of new technology and use of Agile significantly changed the original understanding

**c. Leadership team:**

A GIE program org structure remained generally dynamic since the technical and leadership skills required at the beginning of the life cycle are very different from the skills required for steady-state operations and rollouts. Similarly, the number of resources required significantly increased/decreased to meet peaks and turfs of the requirements. The steady-state operations and rollouts were achieved through effectively functioning centers of competency and excellence.

- i. The critical program leadership team members were well experienced in global issues since they were setting standards and behaviors in the long term program.
- ii. The desired vital resources were not available at the outset, as they were being sourced from other programs.

**d. Governance Model:**

The following are a few critical complexities which were experienced in governance

- i. Management of stakeholders' expectations.



The diversity and expectations of multiple stakeholders significantly increase in such engagements. The changes impact the entire enterprise and multiple stakeholders. The commitment of the top management is required to ensure the success of the program. The following factors increase the complexity in stakeholders' management for a GIE build program.

ii. Increased focus on Risk Management.

The GIE Program Management team needs to factor in significantly higher funds and time for unknown risks management since there are not many such completed initiatives worldwide. Get a greater focus on issues and risk management from Key stakeholders / top management and plan for a more considerable amount of management reserves.

The following are a few of the critical risks which were experienced for the client

- Local Management in various countries and business units found it difficult to understand and relate to the global template. Additional efforts were required to make them understand the global, regional templates and its' relation with local templates.
- Global templates require changes to address local requirements
- Different data standards and low data quality at various business units and countries were realized. Standardizing data across and implementing organization standards required extra effort.
- Different exit criteria were given by different users since multiple stakeholders (local, regional & global ) were involved
- Compliances of various regulatory authorities where required. The regulations for the following significantly differed in various geographies.
  - Intellectual property protection
  - Data Privacy
  - Visa and work permits
  - Union agreements
  - Global trade practices and restrictions
  - Audits like SOX, Client specific, Service provider-specific
  - Political environments and work culture diversity in various countries
- Diverse global delivery teams in virtual environments are required to be managed:



A GIE Project team will invariably be global. There were additional costs for communication and travel. Also, teams required a few hours of training on working in virtual and culturally diverse environments as part of the induction program

**e. Productivity improvement**

Significant productivity improvement in cost, quality, and timelines (as shown in figure 3) was obtained during the GIE build life cycle. The productivity improvement comes on from the use of reusable assets and efficiencies & expertise developed in the team; and leadership. The costs reduction is gained through moving work to low-cost service providers/geographies.

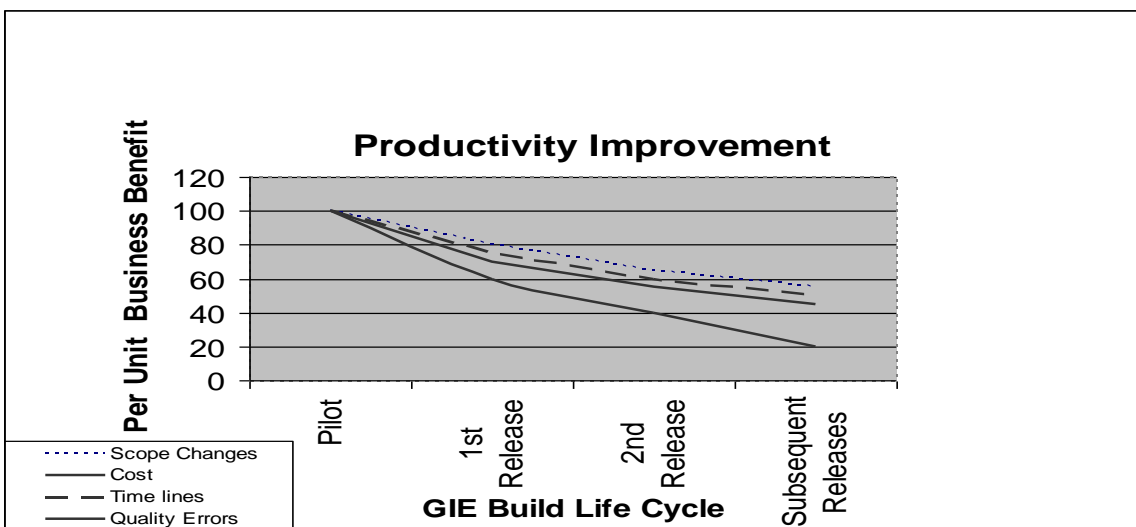


Figure 3: Productivity Improvement

**f. Centers of Competency and Excellence (COC & COE) were established**

COC and COEs enable the development of the required skills, develop reusable assets, and develop and maintain the required skills. Thus, significantly bringing down the costs for the program. The locations for COC and COE needs to be carefully selected considering the costs and availability of required skills. CoC and CoE become the custodian of the program. All critical resources should strategically be part of these centers.

Creation of reusable assets is a 'must' for a GIE build the program. The reusability of these assets brought the required productivity and cost improvements, which are built in the business case. The following assets were created for the programs; Global process template evolves over a period, and get refined even during subsequent releases

- i. Templates - development, configuration, testing, communication, etc.
- ii. Processes – engagement, change management, issues and risk management, decision making process, technical & configuration documentation.

- iii. Tangible assets - Testing rooms ensuring data privacy, Private virtual networks, servers
- iv. Software Programs – configuration documentation, RICEFW programs (Reports, Interfaces, Conversions, Enhancements, Forms, and workflows)
- v. Project Plans – Engagement & delivery, development, testing, cutover.
- vi. Business Process Procedures – Global processes, desk top procedures.
- vii. Technical architect diagrams,

A process to continuously improve upon the existing reusable assets and skills based on the lesson learned was established and did meet the planned productivity improvement

Also, the CoC and CoE were incumbent to adopt best practices to ensure appropriate productivity improvements. The following best practices were adopted.

- i. Lean Sigma – Provided significant improvements in productivity by removing redundancies and wastages.
- ii. Agile - Improved client satisfaction increased the success rate of user acceptance testing.
- iii. Quality Management – Quality assurance and quality control are implemented through CoC and CoE
- iv. The subject matter experts and audits often reviewed external Interventions - The projects, processes, and codes. The client is a listed company had to comply with multiple audits

**g. 'Core and Flexi team' model**

In order to optimize costs and delivery capabilities, a core and flexible team model was adopted. The resource requirements to meet business needs typically have many 'peaks and troughs.' The critical skills were retained in the program as a core team. Typically, these resources were on the leadership roles. A retention process based on incentives was set up for these critical resources. The flexible team is brought in on 'as required basis.'

The core team gains a high level of skills over a period typically and becomes well versed in client-specific business requirements. This team guided/led the flexible team. The flexible team was brought up to the required skill level by core team through an 'onboarding process' and a 'team charter.'

**h. Globally integrated processes and technology platforms to support global processes and initiatives.**

The program required setting up of global data centers, global networks, and highly scalable technology platforms and also involved shutting down local systems, networks and technical platforms The program managed these complexities, costs, and dependencies

**i. Complex organization change management.**

The critical organizational change management deliverables like Future organization design, Training, Communication, and business benefits realization become complex in GIE build initiative due to the following

- a. A GIE build involves substantial scale process transformation from what was locally used to what will be accepted globally.
- b. Entails management of multitude and diverse stakeholders, they are local, geography-specific for example, Asia Pacific, European Union, and Global.
- c. Local rules of multiple countries in scope can impact the delivery of future organization design like Unions may raise issues and require negotiations and agreements or Country specific labor laws can create specific issues
- d. Language and Cultural diversity significantly impact training and communication material development and delivery mechanism.

**j. Flexibility in plans helped**

GIE build programs are long-drawn and strategic. Invariably during the period of building the GIE; mergers, acquisitions, and spin-offs are likely to happen. Also, business priorities may change in order to meet the changing needs of the market. Flexibility in the plan proved useful, where reasonable changes could be accommodated to address business needs.

**k. Measured realization of business benefits at each key milestone.**

The validation exercise was carried out at all logical steps on the realization of business benefits. Such validation helped the program to remain on course and manage stakeholders' expectation and also re-baseline plans.

Typically, the measurements included validation of Globally aligned business processes, a significant reduction in the number of applications thus reducing costs of IT services and enablement of global reporting for effective global governance resulting in a reduction in controls and audit exposure.

## CONCLUSION

Digital disruption has led many multinationals to transfer to globally integrated enterprises to realize their strategic business objectives. The GIE build achieved through transforming business processes, scaling up IT infrastructure to support global processes, and changing organizational culture. The high level of commitment of top leadership is a prerequisite for the success of such initiative. Building prototypes as proof of concept, creating large scale reusable assets, enormous change management challenges, and the built-in scalability a few salient features of this sophisticated program. Managing such programs bring in unique challenges for the PM community.

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