IT'S A KEY ELEMENT OF INTERNATIONAL GROWTH

In this month's column, Anglia Business Solutions outlines how cross-border acquisitions can be challenging to manage, especially with regards to IT processes, and suggests how to implement changes in a way acceptable to all parties involved

THE SPATE of consolidation rippling through the fresh produce industry means that the sector is facing a new challenge. This concerns the alignment of systems and processes across international boundaries. The driver for this change is the need for many organisations in the supply chain to operate on an international scale, to guarantee supplies to the major retailers. Overseas acquisitions are becoming more common as a means of achieving this.

In such a scenario, it is not uncommon for the acquiring and acquired companies to operate with different IT solutions. In fact, it is the norm. This creates significant difficulties, as the two organisations struggle to merge to realise the commercial benefits of the enlarged operation. At top level, the people and cultures are different. From an operational viewpoint, the way in which they carry out their business processes will vary. A simple example will be the different way in which each organisation describes their products.

From an IT viewpoint, this situation creates significant difficulties. The ideal scenario is to implement the parent company's IT system to run the merged operation. This would provide the company with a centralised view of all operations. The result would be to provide the management with a single version of the truth on what is happening with their products, customers and suppliers. However, there are many obstacles to be overcome prior to achieving this utopian scenario.

The first of these is how fit for purpose the acquiring company's business management solution is in dealing with the merged international operation. Here, a robust, flexible, modern international system can be a real asset in achieving the desired outcome. On the other hand, if the core legacy application comes up short of the mark, it is unlikely that forcing the acquired company to adopt inferior technology will result in a satisfactory outcome.

Even if the acquiring company's system is an all singing and dancing flexible international world-class application, there are still major issues to be overcome. Anglia is a shareholder of Partner Power International (PPI), and is the appointed UK sole representative. PPI is the world's largest implementation partner of Microsoft's flagship business management system, Dynamics NAV. Throughout this partnership, the two companies have successfully collaborated on a number of high-profile solution rollouts with major corporate clients.

Anglia recently held a Cambridge Network seminar on the topic of international deployments of business management solutions. The guest speaker was PPI vice-president Henning Lund, who provided the audience with an invaluable insight into the challenges posed by cross-border deployments. His view was that, while the rewards for success were impressive, the project should be approached with caution.

"International deployments can mean different things to different organisations" he explained. "This can vary from just operating with a common chart of accounts for reporting purposes, to fully integrated uniform work processes across all parts of the operation. However, the first lesson to be learnt is that the objectives are clear and unambiguous from the start. Furthermore, they should be communicated to all parties."

Lund went on to highlight a number of potential pitfalls to be avoided. These included cultural and legal difficulties, working differentials, project methodologies, infrastructure technology, language difficulties and the big one – political issues. The last one involves the most careful handling, as changes in working practices are challenging at the best of times, but enforced changes by the new owners are usually quietly sabotaged.

Successful deployments, on the other hand, make a significant difference to the fortunes of the enlarged operation. A uniform, well-implemented business management solution can significantly improve efficiencies by providing access to relevant, shared, up-to-date information. It reduces communication breakdowns, and also means that people can easily move around within the organisation, thus providing additional career opportunities.


Henning Lund

Moreover, it can provide management with an invaluable aid to competing in today's global economy, using dynamic information.

This has been the experience of a number of international organisations that have used acquisitions as a strategy for achieving their global expansion ambitions. By standardising on a single technology platform base, they have been able to use IT to leverage their value proposition in their target markets. In addition, this strategy has provided the group with a centralised control mechanism.

The Microsoft Dynamics NAV platform has become the system of choice for many companies with such global ambitions. Used by more than 65,000 organisations worldwide, the application is deployed and supported in more than 150 countries by a partner community of 3,000 solution centres. However, selecting the correct platform is just the start of the process. Successful deployment across international boundaries will then need very careful management to engineer the desired result.

According to financial pundits, 70 per cent of acquisitions fail to realise intended shareholder value. With international acquisitions, the risks can be higher due to cultural and geographical factors. Attempting to achieve economies of scale across a disparate range of information systems just increases the risk factor. In the past, there were few options, as few software authors had the global reach required. This is no longer the case in today's consolidating business management IT sector.

Details of PPI can be viewed at www.partnerpower.biz