Going Global: Key Functional Issues Your ERP System Should Manage

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Globalization is changing the way businesses compete. To succeed, companies must create new ideas that help them tap into global markets, from extending their supply chains to include foreign suppliers to reaching new customers across the world via web commerce.

Is your business considering testing international waters? If so, you're not alone. An increasing number of small to mid-sized manufacturers and distributors are already tapping the global marketplace. These companies are reducing costs on the supply side by working with lower-cost vendors in countries such as China, Mexico and Japan. And, they're increasing revenues by making high-demand goods and services available to new markets that were previously thought to be unattainable.

Although you might have expanded your domestic business at some point by establishing remote sales offices, production facilities or warehouses, thanks to technological advances in web-based processing and security, you can begin tapping the global marketplace without opening a physical location in a foreign country.

But even if you're ready to just place a toe in to test international waters, your greatest challenge to achieving success might come from within – your enterprise software system!

Is your current business application up to snuff for supporting business operations and transactions outside the U.S.? If you're still using the same application you bought when you started your business years ago, chances are it was designed to operate in a single entity, domestic environment only.

How can you tell? We'll review the key functional issues that your software will need to have in order to conduct business in other countries.

Currency Matters

If you've never dealt with currency other than the U.S. dollar, you'll need to contend with other currencies such as Pounds, Yen and the Euro. With the volatility of the dollar's value relative to these and other currencies, it's imperative to be able to take your customer's native currency into account at each stage of the order processing cycle, from order entry to invoicing, accounts receivable, payment processing and, ultimately the general ledger. Failing to do so might result in a financial loss due to fluctuating exchange rates.

To facilitate this fundamental need, the software should allow you to quickly perform across-the-board changes to exchange rates from one currency to

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another. It should also be able to store – and quickly update – price lists in the customer's currency so the pre-defined price is automatically used when the customer places an order. Otherwise, it should at least be able to translate the list price from your currency to the business partner's currency at the time of order. Each order line and the complete order should be totaled in both currencies so the order-taker can visually determine the impact on profitability prior to completing the order.

Management should also be able to generate consolidated reporting in whatever currency they choose. Any gains or losses due to exchange rate fluctuations should be automatically calculated and posted to the general ledger.

Effective communications is paramount for successful international commerce. A software system that doesn't take different languages into account can be a significant barrier, regardless of whether you're communicating with foreign customers, suppliers or non-English-speaking employees.

Your enterprise system should be able to associate any user's ID with their native language so screens automatically display in their language at login, regardless of their physical location or job function. The system should be able to associate business entities such as product descriptions and order messages with specific languages so that everyone from customers, suppliers and carriers to accounts payable clerks and warehouse workers can automatically view information in their native language. Instructing a warehouse picker to secure goods for transit in his own language helps ensure accurate picking and helps avoid unnecessary returns. Customers who receive invoices and packing lists written in their native language spend less time double-checking for accuracy and in bothering your customer service department.

Will you be conducting business over the Internet? Once customers can access your site and view information in their language and place orders in their currency, you'll discover that new prospects from halfway around the world can order products as easily as those down the street from you.

When in Rome …
Every country has its own regulatory and legal rules that you'll need to follow. But it's important to note that, unless you intend to reach all parts of the world, your software doesn't need to be a completely international system; it just needs to be "multi-national" in scope. This means it only needs to accommodate local compliance requirements in the countries where you'll be conducting business.

You should have the option to either run a single software system as before or set up separate systems in countries where it makes sense. The former approach will allow you to manage data centrally and connect to foreign business units and partners via a common data network. Running your software using a web browser would be an ideal way to accomplish this.

If you decide to operate separate systems in selected countries, you should be able to quickly replicate your domestic system on each country's computer. The application should have set-up parameters that allow the software to conform immediately to each country's local practices, including its taxation rates and laws, transportation modes, units of measure and financial reporting rules.

Extending Your Supply Chain Globally … Seamlessly
A modern enterprise system needs to do more than function within the four walls of a business. Information needs to flow seamlessly to and from all parties in an extended global supply chain, regardless of whether it's between your own business units or with your foreign business partner. For example, by linking your ERP system with a foreign manufacturing facility owned and operated by a third party, your business partner becomes an extension of your company, one that can access, share and update key information such as production schedules, promised delivery dates and advanced shipment notifications as if they were part of your own business. Effectively collaborating with suppliers is critical for gaining the cost and efficiency benefits of working with foreign suppliers.

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Does Your Software System Measure Up?

Does your current application accommodate these multi-national functional requirements? If not, it might be time purchase a new ERP system that has these capabilities built-in. Business entities such as currency, language and taxation rules need to be so well integrated into the fabric of the business application that program modifications to your current system would be too extensive and costly to attempt.

The old mantra about thinking global while acting local rings true with how you prepare your enterprise software system for meeting global challenges. When selecting a new ERP system, make sure it not only meets these functional requirements, but that it's developed by a vendor with the experience and culture for keeping pace with ever-changing laws and regulations. With careful planning and implementation, you'll have a truly multi-national enterprise system that runs smoothly, adapts readily to change and allows you to have a more cost-effective and profitable business.