NRI

Optimizing IT Management for Global Companies:

Strategies for Thriving in the Digital Era

Why Is It Crucial for Global Companies to Transform Their IT Organizations Now?

As digital technologies play an increasingly vital role in developing new business models and distinguishing companies from their competitors, many global enterprises are significantly investing in the transformation of their IT organizations. This shift is driven by three major changes in the use of IT that global companies have experienced over the past decades.

The 3 Major Changes in the IT World

1 **Shift from Product-Centric to Service-Centric Business Models**

A significant shift in business models has emerged, where companies increasingly focus on delivering customer-oriented services rather than merely selling products. As a result, the ability to develop new software with agility has become more critical than ever. The growing availability of big data is further accelerating this trend, allowing companies to gather real-time customer feedback and continuously enhance their services.

2 **Accelerating Change Driven by Technological Advancements**

The rapid evolution of technology, driven by methodologies like Agile and DevOps, is accelerating the pace of change across industries. As a result, swift decision-making has become increasingly vital for staying ahead of the competition in each region. Additionally, optimizing IT development and operational efficiency, maintaining alignment and consistency between global headquarters and regional offices is essential. These trends have heightened the need for global

CIOs and CDOs to balance the demands of globalization with the need for localization more effectively and efficiently than ever before.

3 Trend Toward Global Standardization in Non-Competitive Operations

The success of Enterprise Resource Planning (ERP) systems in areas like manufacturing, supply chain management, and financial operations has highlighted the benefits of using standardized systems in non-competitive areas to reduce operational IT costs and enhance connectivity with external technologies. In the past, customized systems that supported specific operations within a company were often seen as key differentiators for market success. However, it is now more rational to standardize operations that do not directly add value to the business, even if it means sacrificing some operational efficiency.

To effectively adapt to these changes, global companies should consider reforming their IT management systems with a focus on:

A. Rapidly meeting business needs and driving continuous growth in competitive areas

B. Optimizing non-competitive operations

C. Establishing an IT governance framework that supports overall business objectives.

Best Practices from Leading Global Companies

In this chapter, we will explore best practices for tackling these challenges by examining case studies of major global companies that have successfully managed these transformations.

● Global Consumer Packaged Goods (CPG) Company

Company A, a leading consumer packaged goods (CPG) company with a global network of manufacturing, distribution, and sales channels, needed an agile IT organization and management system to keep pace with rapid changes in its product portfolio and maintain its brand image. To support both efficient operations and flexible portfolio management, Company A restructured its IT organization and investment strategy.

The company categorized its IT investments into two main areas: "identifying growth drivers" and "rationalizing the existing brand portfolio." It then reorganized its global IT structure to optimize cost management and investment. Under this framework, R&D was prioritized as a key growth driver, while supply chain management for existing products was targeted for global rationalization.

To effectively support these functions, Company A deployed internal IT consultants to both global and regional headquarters for Business Relationship Management (BRM). These consultants provided practical guidance on adopting digital technologies to enhance business value. Conversely, sales and marketing for existing products, which required a deep

understanding of local markets, were managed by regional headquarters to ensure swift responses to market needs.

This strategic shift allowed Company A to continuously refresh its product portfolio through mergers and acquisitions (M&A) and seamlessly integrate acquired businesses into its standard operations.

Figure 1: CPG Company A, IT organization and management system to support flexible portfolio management

Sources: NRI's Research
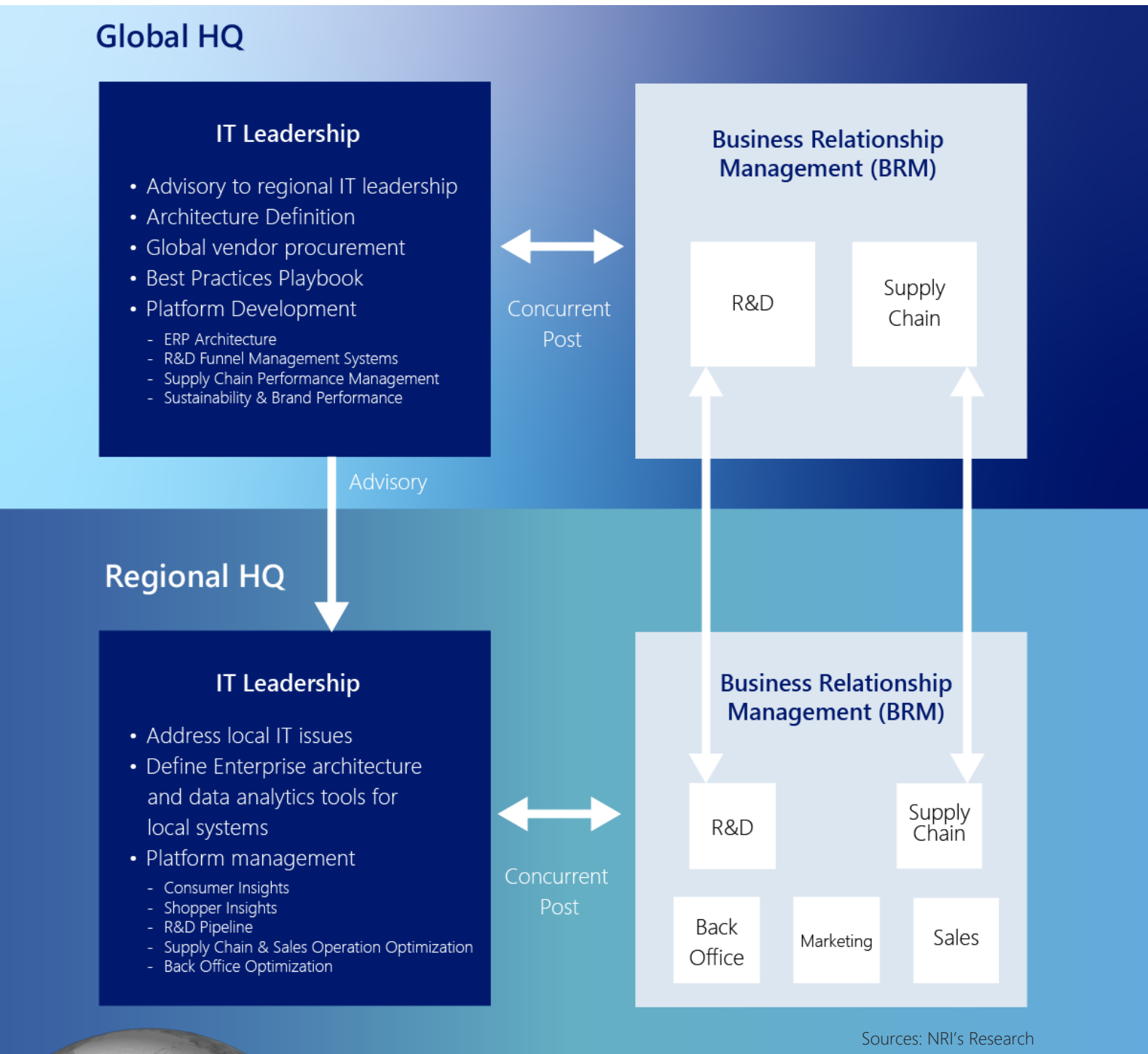
Automotive supplier: Shared Service for Global IT Standardization

Company B, a Tier-1 automotive supplier based in Europe, sought to optimize global IT costs and resources by integrating common operations through a shared IT services model. The company implemented a centralized IT Governance Team at its headquarters. This team was tasked with offering services to all regions and countries, designing policies, rules and KPIs, and monitoring the whole processes of service management.

In designing the shared services model, the governance team established a comprehensive service catalog that included core operations and common infrastructures, such as production management, human resources management, data warehousing. Any IT services not covered by this catalog were managed by the IT departments in each region or subsidiary.

Each shared service in the catalog is designed and maintained by designated owners who are accountable for its budget, costs, and performance in line with business requirements. Typically, these owners are departments within the headquarters IT division, structured by architecture and function. While headquarters lead the implementation of shared services, regional offices can have the flexibility to decide whether to utilize these services depending on their specific local needs and global governance policies for businesses and infrastructure.

In some instances, a country might wish to adopt a system or tool originally implemented for another country. In these cases, the managing country can request to include the service in the global shared catalog. Once added, the Governance Team at headquarters will centralize budget control and service desk functions for that service.

As a result of this restructuring, Company B effectively managed user support, operational costs, and IT architecture from the headquarters, leading to a balanced utilization of IT resources and a reduction in unnecessary IT expenses.

Figure 2: Automotive supplier B, Shared service for global IT standard operations

Sources: NRI's Research
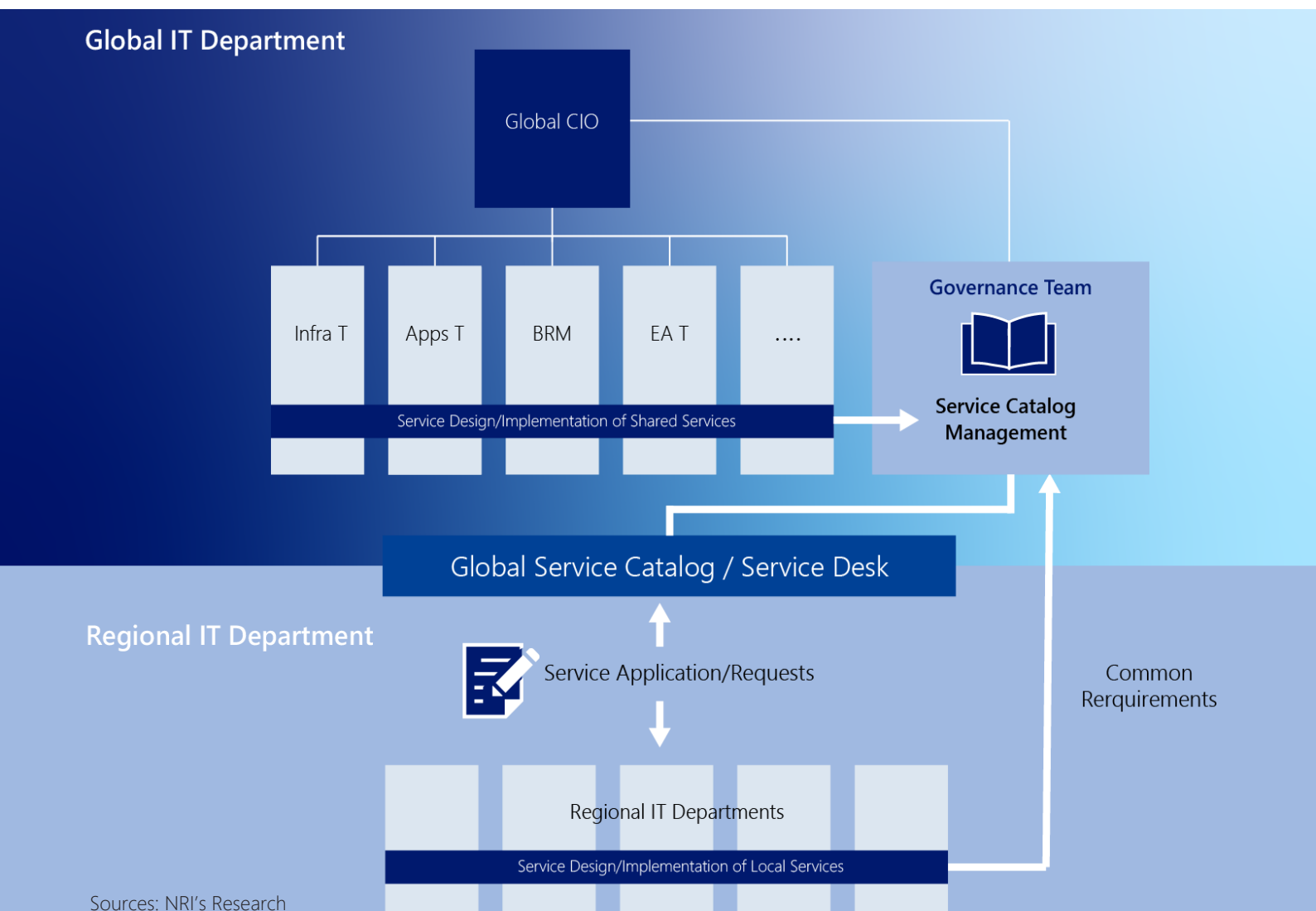
Key Takeaways

From these case studies, we can draw the following conclusions.

To address key points A and B, a company should distinguish between IT investments for competitive versus non-competitive areas and assign Business Relationship Management (BRM) to each business unit to manage both globalization and localization effectively.

For key point B, some companies achieve this by standardizing relevant IT operations and centralizing them at headquarters, which helps optimize operational costs and ensures IT systems stay aligned with the latest product portfolio.

Regarding key point C, as observed in the case studies, global companies based in Europe or the US often centralize IT control at their global headquarters. However, the effectiveness of this approach can vary depending on the balance of power between headquarters and regional offices, as well as the cultural context of the headquarters' location. In the next chapter, we will explore how Japanese-headquartered global companies handle these challenges.

Key Points for Successfully Adapting to Changes

A. Rapidly meeting business needs and driving continuous growth in competitive areas

B. Optimizing non-competitive operations

C. Establishing an IT governance framework that supports overall business objectives

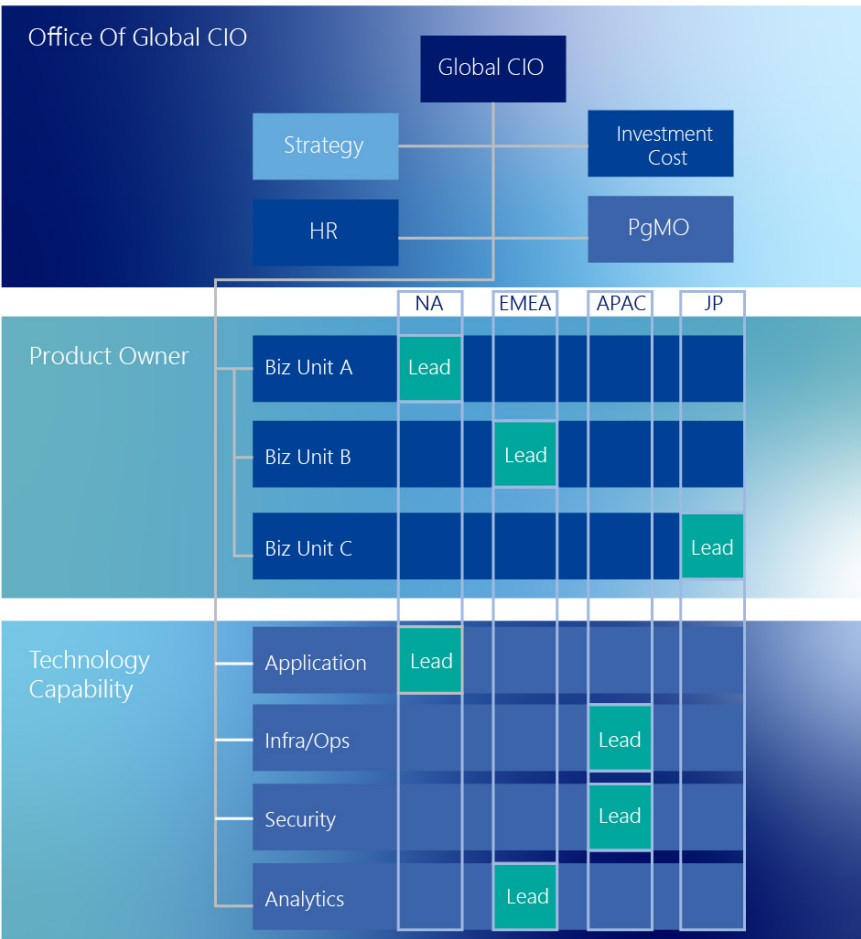# Alternative Approaches to IT Governance When Top-Down Schemes Fall Short

Japan is often seen as a unique case where traditional top-down governance structures may not be as effective. When the headquarters of a Japanese global company attempts to impose standardization policies on its overseas subsidiaries, it sometimes encounters resistance, particularly when these subsidiaries wield significant power that is comparable to or greater than the headquarters. Several common issues contribute to this challenge:

● **Disparity in Business Scale:** If the scale of operations in a foreign market surpasses that of the home country, the overseas office may have a larger IT budget and may no longer require support from the headquarters. This financial autonomy can lead to resistance to centralized policies.

● **Digital Transformation Lag:** Japan's slower pace in digital transformation often results in overseas branches independently launching new digital initiatives to stay competitive. This can create a situation where these branches are more advanced in digital maturity compared to the headquarters.

● **Cultural Differences in System Development:** In Japan, the "voice of the user" often carries more weight in IT system requirements and projects than in other regions. This cultural emphasis on user customization can conflict with standardization policies, leading to resistance and increased customization requests.

To address these challenges, many Japanese global companies have implemented alternative governance structures. A common solution is the creation of a matrix organization, where a global virtual team is formed by IT functions to provide shared services to each region or country. The headquarters appoints a leading region or country, known for its expertise or advanced capabilities, to head each virtual team. This approach allows more budget-rich and technologically mature regions to offer guidance and maintain motivation

Office Of Global CIO				
Global CIO				
Strategy			Investment Cost	
HR			PgMO	

		NA	EMEA	APAC	JP
Product Owner	Biz Unit A	Lead			
	Biz Unit B		Lead		
	Biz Unit C				Lead
Technology Capability	Application	Lead			
	Infra/Ops			Lead	
	Security			Lead	
	Analytics		Lead		

among local teams. Furthermore, it enables regions that are ready for standardization or require support to proceed with their digital transformation initiatives without waiting for headquarters' approval.

This matrix approach helps balance the power dynamics between headquarters and subsidiaries, facilitating more effective global IT management while accommodating regional differences and promoting local autonomy.

Challenges in Implementing Best Practices

Applying the approaches discussed in this article often presents challenges due to the diverse characteristics of different regions. Typically, regions with larger economies can lead in certain IT functions or adapt more readily to headquarters' policies, while other regions might struggle to align with these standards.

To maintain balanced IT investments across regions, it is crucial for global headquarters to retain control over key areas such as IT investment management, human resources, and program management. When implementing global standardization policies or shared services, it is essential to address regional concerns and fill the gap between global standards and local issues.

To facilitate smoother and more successful global collaboration, consider establishing a "bridge"

role between headquarters and each region. Appointing a liaison within the CIO office at each local office can help manage the nuances of adapting best practices to specific regional contexts. These roles should have a thorough understanding of the business practices, cultural differences, and social backgrounds of their respective regions, while also being attuned to the differences between headquarters and local offices.

Once the reform project is underway, it is important to continuously evaluate and communicate the project's impact to maintain momentum and motivate all involved stakeholders. Regular feedback and shared success stories can help sustain the reform spirit and encourage ongoing engagement from project members.

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Takashi Furuta joined NRI in 2011 and has been a dedicated system consultant for 13 years, supporting clients across diverse industries, including manufacturing, finance, and the public sector. After a 3-year engagement in service management and digital transformation projects for automotive sales in Thailand, Takashi transitioned to NRI America in 2022. At NRI America, he has led multiple transformation initiatives in business operations, ERP, and IT management. His expertise lies in global IT management, large-scale project management, and the digital transformation of the manufacturing sector.

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