

Complete Guide to a successful

SAP Global Roll Out

in Latin America



> Índice

Soft Issues	3
Culture	4
Time Zone	5
Language	6
Hard Issues	7
Tax Regulations	8
Commercial, Payroll and Labor Regulations	9
Accounting Standards Regulations	9
Inflation Adjustment	9
Different Technologies	9
Moving Forward	11
CBM	13
Developing and Following the Core Business Model (CBM)	14
Writing the CBM	14
Local stage	14
Key Factors	16
Key Factors for your LATAM Rollout	17
About	18
About the Autor	18
About ITPS ONE	18

1

Soft Issues



Soft Issues

When thinking about soft issues, we might be tempted to believe these kinds of problems are impossible to predict, or even that they're not worth addressing when planning a Roll Out project to Latin America.

This kind of mindset comes from the idea that seemingly subjective aspects of how

Soft issues are the first challenges that tend to arise given their lack of specificity, flexibility and difficulty to be fully prepared for. Therefore, for our first subject matter on this whitepaper, we will be focusing on three of the most common sources of soft issues: culture, time zone, and language; as well as some examples where those issues might show up.

Culture

When we talk about culture or cultural aspects, we should understand that this goes from the smallest habit or detail up to major traditional bureaucracies or formalities. They might seem minimal or lacking in importance, but they constitute a whole cultural framework that every person involved in the project, from top to bottom, will experience on a daily basis during the entire project life cycle. This includes documentation, protocols, and commonly used words that might seem appropriate at certain meetings and stages, but might not be worth mentioning in some countries. Formalities and even punctuality can be a valued characteristic in some cultures and light-weighted in others. Perhaps it would be an issue to be five minutes late to a meeting in the United States, but in Brazil, for example, that would not be a major concern, and even more so in Argentina. Each country and company has its own labor rules and regulations

as well, so you should expect to be asked for different types of forms and documentation at the very early stages of the Roll Out project.

There is something about the general culture of each country, something intangible, that is not minor but can sometimes create a cultural dilemma. There are tons of examples to pick from. In Mexico, for instance, people tend to say “ahorita mismo”, which in Spanish sounds like a shorter and faster way of “ahora” (now), meaning quickly or indicating a certain level of hurry. However, Mexico’s “ahorita mismo” can easily mean a few hours or even a couple of days (or more!).

During the deployment of a project, there is not a lot of time to understand and process each culture in depth, so you will never know when you will face a cultural barrier. Then is when working with Vendors that understand the local culture (and count with local consultants in their workforce, of course) becomes critical for the success of the project.

The workplace environment can also be immensely different according to who you will be working with.

In some places, work relationships can be similar to a family setting, while in others it is paramount to always keep in mind the more formal client/supplier relationship.

There are also some customs on how certain series of processes are managed. Supplier management in Argentina is much more informal in many aspects when compared to other countries like Germany, where you may have three fixed rules and that is it.

In Argentina, long and short payment conditions vary as there are many different commercial interlocutors taking part. Payment conditions always change, and if it goes up to 60 days (or even 90), that could possibly be unacceptable for the supplier.

Local businesses have certain specific necessities and their own different problems, so what is defined in a regional or global business might not be the same around the world.

Time zone

Even though working with local companies from the Roll Out destination country is crucial to address any of the issues encountered, it is also necessary to make the most of nearby time zones

(Nearshore) benefits. If the desired approach for the migration process is for it to be remote, the maximum time difference that could be experienced when working with cities at the south end of the continent (e.g: Rio de Janeiro, Santiago de Chile or Buenos Aires) and cities on the West (e.g: Vancouver in Canada or Seattle/San Francisco in the US) is up to five hours (from mid-October through mid-March).

Depending on the location, time differences can be conveniently reduced to just one or two hours.

Regardless, working on site is the most desirable approach in severe cases. When everyone involved is working towards a common goal, there are less chances of encountering risks that may impact the project negatively. Given this, and speaking in terms of business and effectiveness, it's always more convenient to work with local assets. If a consultant becomes a traveler, it means he will not be living in the country but he will work for, say, a fortnight and go back home for a few days. This methodology is usually both more expensive and less productive since consultants grow increasingly tired every time they have to travel across the continent, impacting heavily on their productivity. In other words, an expensive flight for a remote consultant has an enormous cost compared to a simple bus ticket for a local asset.

Language

In this context, by language we mean communication and the difficulties lead by the communication process.

These are critical and worth avoiding, probably being the most relevant of all soft issues. In every Roll Out, there's people involved that work "inside" the project and others who work "outside" the project. The ones inside have a way of working and a specific schedule, while those outside work with different itineraries. However, setting up one single shared calendar should be a must for every migration process. Otherwise, once difficulties in communication arise, it becomes a Change Management issue. It is crucial for the team to understand where it is going as a whole and what the future is like for the company in the short term.

The importance of communication in a Roll Out is a lesson usually learnt the hard way by any company that has gone through such processes, and its reflection can be found in every sphere of the team. The executive committee is at the top of the ladder, and that is where the General Manager, the sponsor or the figure that finances the Roll Out is located. So if that steering committee is not strictly aligned with the project, risks will be higher, processes will take longer, efficiency might get deteriorated, and things overall will not work out. The same goes for the operating committee, which

involves middle management, PMO's, client's project managers, providers, and other peripherals impacting directly on the project.

Looking back, it becomes evident that communication has been simplified and everyone can count on basic tools to reduce time between calls, meetings or emails. Nowadays it may sound absurd or even obvious, but a remote working team can have virtual rooms where, with just one link, they can have 24/7 access to an open room that is critical in any remote context. A real lifebuoy when having a team of sixty people or more.

Without constant communication there is no Roll Out. Imagine someone is modifying a certain field, but the message does not reach Finances or Human Resources. Then, another field is modified and bigger problems start to arise. That is why weekly meetings are important (remote or on site) to address issues, risks, touch-points, aspects to be improved and achievements to be replicated.

Given their lack of specificity, flexibility and difficulty to prepare for, soft issues might be the hardest to address and resolve. This is why the best thing to do is to simply be attentive. Try not to assume and focus on communication, learn how to read situations and pick up the details of the dynamics people around you are having. In the end, you'll realize it's all about the relationships you cultivate and foster.

2 Hard Issues



Hard Issues

As we know, a Latin American Rollout aims to standardize processes across a company, which allows optimizing costs and centralizing the maintenance of information systems.

Attempts will be made to cover the maximum number of processes, with the exception of those that contain tax requirements or mandatory reporting at a local level, which have to be configured according to the legal requirements of the country in question. This is where the second hardest issue comes in.

Local legal and financial requirements should be included in every template for

any Rollout in a new country, and they should always be addressed directly in the central system of the project. The same applies for local business requirements, which, as the name indicates, are business related and not imposed by the law-making body but are critical for any project.

It is also important to mention that when we talk about tax regulations for Rollouts in Latin America, we will keep our focus mostly in Brazil, Argentina and Mexico, given the amount of different requirements to look out for. This is the reason why counting with local consultants is a key factor to successfully carry out such a project.

Tax Regulations

Brazil has a big amount of tax regulation grey areas that nobody understands better than Brazilians themselves. It is radically different from most of the countries in the region since taxes vary with each material and its place of origin. For example, fees and regulations are not the same if such material is in Rio de Janeiro than if it were in Manaus; and even the type of material also has its own incidence. A similar thing happens in Argentina, where the law changes depending on which province you are in. Still, in both of these countries, you will have to comply with difficulties law enforcement agencies that vary from national-wide regulations to state and municipal requirements as well. Mexico

might be a bit simpler, but both them and Colombia have digital accounting, which means you might be in need of a consultant specialized in SAP digital accounting. It's not more complex, but it is more specific. Argentina and Brazil, however, do not count on the same digital tool. As a side note, all 4 countries (and few other more in the region) do require for the Invoices to be issued electronically and to be validated by the country's central tax agency. And, let's not get onto the so many details and all of the components of a correct implementation of Brazilian famous (or infamous?) Nota Fiscal. These are just more reasons to work with specific local consultants, since they make it much easier to understand each country's taxation, retention rates, payments, etc.

Commercial, Payroll and Labor Regulations

These could also be referred to as the norms of commercial societies; another big issue presented within tax localization that only local consulting firms can be aware of. There are many companies that define the general template and deploy the solution themselves and then get stranded in a sea of tax localization, customs, exportation, importation and different regulations. In a similar manner, social charges, taxes, payments, payroll, working hours, extra hours and covenants are radically different in each country of the region.

Accounting Standards Regulations

These regulations involve the resresentation of both balance and financial statements. Some cities allow for electronic financial statements and others do not, depending on the country of the implementation. So, to cut to the chase, every regional economy is different. It is not the same, having to face the clients or suppliers base of a company in Buenos Aires and their different sizes than one from France. This implies that you have to adapt the conditions of your system to an economy with many peculiarities.

Without constant communication there is no Roll Out. Imagine someone is

modifying a certain field, but the message does not reach Finances or Human Resources. Then, another field is modified and bigger problems start to arise. That is why weekly meetings are important (remote or on site) to address issues, risks, touch-points, aspects to be improved and achievements to be replicated.

Inflation Adjustment

In other regions of the world, inflation adjustment is not something to keep at the top of your mind because inflation is so low that it is not necessary to adjust any scale to this variable. Still, high percentages of inflation is a well-known issue for the region that you will most definitely encounter. In countries like Argentina, for example, inflation adjustment is almost mandatory when it comes to financial statements and projections. Once again, local consultants are key in avoiding these issues, since they will be more than familiarized with the complicated subject that is the latin american inflation process.

Different Technologies

Each country works with different technologies, both specific to SAP and in general.

In some cases, some of them are highly outdated and it might be much harder to

submit your bank reconciliation and download it digitally. Sometimes it even has to be done manually because they do not have the means to deploy more modern technologies, other times because they have simply become accustomed to it.

Technology for banking is also something important to address, since usually every company will need a digital statement to present a bank reconciliation automatically. If the consultant is familiar with local banking platforms, they will know that Argentina has a service called Interbanking that every SAP client can hire to access and view said statements through their own local bank account. However, as you have probably guessed by now, these circumstances and services change in every country. Interbanking is one of the three entities that offer these services in Argentina, while some countries have hundreds of digital financial management companies instead of just three. In situations like these, you could end up with a bank account that is dispersed among ten different platforms instead of being centralized in one.

When rolling out to an entirely different region, it is crucial to always have a plan. When evaluating strategies, always fully assess the resources you have available and what regulations you will have to comply with. Jumping into a Rollout without the proper planning can backfire, especially when it comes to financial and regulatory matters, since a simple oversight could result in a big legal problem in the future.

It is prevention and preparedness for reaction that will assure you a smooth deployment, and nobody is better adapted for the job than regional consultants. With all these considerations in mind, and conscious of the need to be aware of the most prominent hard issues, all Rollouts can be conducted legally, safely, and successfully.



Moving Forward



Moving Forward

With all the previous aspects considered, it comes time to create the Core Business Model (CBM). But before we get to it, it is necessary to address some general concepts: the understanding of the rollout project, its purpose, goals, and the reason why. An organization or team that is on the same page and understands why the company is implementing such a solution is much more driven to complete the rollout process since they know why each decision is made and what to expect.

A key success factor in this approach is the hand-in-hand work of the business organization or team and the IT department. The former is the one that boosts the need for change, standardization, unification of processes, expansion of new subsidiaries, or in your case, the need for a rollout. On the other hand, the latter is the one that provides the tools and knowledge, say, the vehicle, to carry that transformation process along every stage.

However, it is the absolute commitment and synergy of both areas that ensure the effectiveness of the job done since none of them will make significant changes on their own. These go back to the importance of top to bottom communication on every stage and every agenda.

There is always a step-by-step plan that is necessary to follow rigorously as if every stage was a tiered dependency or a domino. Developing the Core Business Model requires fully committed internal and external communication.



4 Core Business Model (CBM)



Core Business Model (CBM)

Developing and Following the Core Business Model (CBM)

On a global stage, after deciding which business processes can be defined as a common operating model for all countries included in the rollout, we are able to initiate the start of the Core Business Model (CBM). The goal is to cover the maximum number of processes, paying particular attention to those that contain tax requirements or mandatory reporting at

the local level.

The sum of all the processes that will be part of the rollout core is what is known as the Core Business Model or CBM. A work team will be appointed to be responsible for all levels of the CBM and include new objects or business processes within it. This team will be the Process Office and will manage the know-how of the project.

Writing the CBM

The second part of the CBM is creating a document containing every parameter and touchpoint of the rollout. This sheet may function as a holy bible for the consulting team of the country where the rollout execution takes place. Process Office will analyze the business requirements in an initial sheet that will need an update later with the types of orders, fixed assets to manage, purchase documents, financial documents, group chart of accounts, and more. After this, we would be ready to move onto the local stage of the rollout.

Local stage

Local Workshops: These workshops are the first contact phase between each

country (represented by those key users determined by the business as responsible for the country's rollout at the national level), in which separate workshops are held for each of the different areas of the rollout (Finance, Sales, Purchases, Human Resources, etc.). In these workshops, the consulting firm will explain what the business processes of the CBM will be included and what the guidelines and phases of the project are to be developed in the rollout implementation.

Design Phase: The country and the consulting firm hold work sessions to determine the points of their local business that are difficult to adapt to the global model. Each of these GAPS is presented to the Process Office team for a decision regarding their creation. The countries' specific legal or fiscal points and reporting issues are frequently accepted.

Build Phase: This phase will be carried out by consultants for the parameterization of the ERP system having as reference the toolkits and GAPs approved by Process Office. Once built, the consulting firm will test the prototype before users in the country begin the test phase.

approved by Process Office. Once built, the consulting firm will test the prototype before users in the country begin the test phase.

User Test: After building the model, the country must start the testing phase and record it using a specialized tool (such as Mercury Quality Center, Remedy, etc.) to then be fixed by consultants.

Regression Test: The last phase before going live ensures that the parameterization of the country works well and is exactly how it was planned.

Go Live: The master data has been loaded to the production environment and the manual configuration of the system.

Maintenance: During a determined number of weeks after the go-live, the application maintenance team is responsible for solving incidents that may arise from production start-up errors.

To conclude, upon the development of a CBM and the execution of the local stage of the rollout, you will be able to standardize the processes among subsidiaries. This will offer several benefits such as centralizing the systems' maintenance and reducing operating efforts, a shared global evolution, and cost optimization.

5 Key Factors



Key Factors

Key Factors for your LATAM Rollout

Throughout the Rollout Project, we can standardize and homogenize business processes among subsidiaries. As we've discussed, this process brings about some perks such as centralizing maintenance systems, reducing operation efforts, and cost optimization so that rollouts are strategic for a company, as they are being faced from a collaborative perspective.

Given the experience acquired, we've gathered some of the key factors that may be helpful in the process of facing a Rollout Project successfully:

1 | Nobody knows all the tax and financial regulations as well as a local consulting firm does. Even more if the consulting firm has presence in the country or region in which you want to carry a rollout. Take it as a different way of providing AMS or PCOE Support and the basis for an easier, controlled, and secure process.

2 | Management must support the project and request maximum collaboration from the rest of the departments involved. If the Management Committee does not determine the project as strategic, the start-up may be delayed on several occasions.

3 | Involve the user in the testing phase, since it is pivotal that the user thoroughly

tests the application. If done properly, we will avoid discovering errors in production with the problems that may emerge.

4 | Keep collaboration between the consulting firm and the team. Each party often has higher expectations of one another and thinks they should take on more responsibilities. To avoid this, there must be good communication between both parties. Such a policy should be promoted in the project to involve all participating parties and ensure everyone understands the implications of the project. If this is not done properly end users may not understand the scope of the project and the importance of meeting the milestones that were set.

5 | Key users and project managers must be defined strategically, considering their knowledge of the system and the local business' processes. The probability of success in terms of time and quality will always be higher if the right choice is made.

We have now addressed all challenges a foreign company has to overcome when replicating the business model of the SAP system in subsidiaries in another region and provided you with the advice we hope may get you through this complex process successfully.

6 About

About the Autor



JUAN MUZZIO
Founding Partner

Juan is an IT engineer and business executive with over 30 years of experience in the IT industry.

He has built an outstanding record of achievement in implementing new business concepts, delivering strategic business solutions, and easing transitioning operations across various companies and industries.

About ITPS ONE

We are an IT Latin American company, led by its founders and run by senior professionals, that work with organizations throughout the world **for real business transformation.**

We hand-pick the most expert IT talent and combine it with our latest technology to deliver nearshore and onsite efficient, agile and world-class tailor-made business solutions and services, becoming a strategic long-term partner to each client.

For more information, visit us:





**Empowering your
business, together**



sales@itps.one



itps.one

 **ITPS ONE**