



White Paper

The global financial leadership series

Part 1: Financial management essentials

The growth of globalization

Globalization is a key strategy for businesses across many sectors. As the Internet and the vehicles it empowers—everything from e-commerce to social networking—becomes increasingly accessible around the globe, the world continues to grow smaller and the areas of opportunity ever more broad. While the BRIC countries (Brazil, Russia, India, and China) have been a strong area of focus in recent years, businesses are expanding their horizons to a new tier of emerging markets, such as Indonesia, Malaysia, the Philippines, South Africa, Thailand, Turkey, and Vietnam.¹

Research shows that the globalization trend is growing. In “Building on the BRICS,” part of a Business Trends 2013 series, Deloitte LLP found that direct investment outflows from the new tier of emerging markets increased to \$39 billion in 2012, and 36% of executives based in Southeast Asian markets are making new market expansion a top priority.²

This level of activity reflects new levels of opportunity, ones that may have seemed far-fetched a short time ago, but that are now realistic and viable for companies of all shapes and sizes. Globalization isn't solely the domain of the big or even necessarily the bold. It is fast becoming a standard and necessary way of doing business.

However, just because globalization is becoming more commonplace, that doesn't mean it is any less complex. Success is by no means guaranteed; and as more small- and medium-sized businesses enter the fray, they are finding themselves less prepared than their larger counterparts on many fronts, from resources to experience to systems. Regardless of company size or the specific market and opportunity, one thing is clear—being prepared is essential.

In this series of short-form white papers, we'll explore two of the most critical issues for companies going global and identify areas where companies frequently make mistakes. This paper, *Part 1: Financial management essentials*, will focus on a fundamental and often overlooked component of going global—the capabilities required within your financial management system. Part two focuses on talent retention. To access *Part 2: Technology and talent—Strategies for optimizing your most valuable resource*, visit www.infor.com.



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¹ Building on the BRICS, Business Trends 2013; Rao, Kishore; Kalish, Ira; McClain, Simon; March, March 19, 2013; Deloitte LLP

² Building on the BRICS.

The global essentials

When companies explore global expansion strategies, technology is typically not a major topic of discussion. In too many cases, executives assume that their company's existing financial management system can accommodate the needs of a global organization or that the finance department will simply work around any potential issues. They frequently underestimate the inefficiencies that can result—and more importantly, the risks.

Going global requires successfully navigating a wide range of multinational regulations, complex international tax structures and reporting requirements, differing calendars, and much more. Hiring and retaining the right people is essential (see Part 2 of this series, *Technology and talent—Strategies for optimizing your most valuable resource*), but having a financial management system with multinational capabilities built in is equally important. Otherwise, technology can easily become an obstacle to successful global expansion, rather than an asset. The following global essentials are capabilities that should be considered must-haves for any multinational finance system.

1. Multi-company—independent locales—Multi-company support is standard for almost any accounting system, but you should look for the ability to create as many companies as required with a single installation, with each having a completely independent setup. This will allow you to configure each company to meet the requirements of different countries and/or support multiple companies within a single entity. Each company should also be able to have its own base currency, chart of accounts, and business rules so you can easily meet local requirements.

2. Multi-calendar—The timing of key financial functions varies greatly around the world, and your system should be able to easily accommodate these differences. Look for multi-calendar reporting capabilities against the same data set, with no hard end of period closing where detailed transactions are moved offline. You'll also want to have the ability to create different accounting periods for reporting, while retaining data at the transaction level, so you can re-aggregate to different periods as required.

3. Multi-language—Multi-language is an obvious requirement for global companies and one that most technology vendors will offer on some level. However, it's not just about different translations of the software. Multi-language also means being able to run a single system, while allowing users to access it in the language of their choice. This is an essential component of deploying a single system across all locations, which can increase both standardization and control.

4. Multi-currency—Multi-currency should automatically be included on any list of must haves for multinational finance. Much like multi-language, however, different vendors will offer different levels of implementation. Consider how many parallel currency dimensions can be tracked on source transactions. The ability to track local accounting currency, alternate base currency, and reporting currencies, as well as actual rates of exchange, will simplify your reporting requirements. You'll also want to be able to track a variable fourth currency, which will allow you to meet more sophisticated requirements like branch accounting in different currencies and tracking values in a charity's donor currency (distinct from the transaction currency) or in local or corporate accounting currencies.

5. Multi-tax—Multi-tax is an area that many companies struggle with, when they first go global, and it's one that's complex enough to require robust functionality. It's mandatory that your software offer out-of-the-box support for requirements like withholding tax, VAT, GST, and QST, as well as a certain percentage of complex tax calculations. You'll also want to consider integration with software vendors that specialize in providing automated maintenance of rules and rates, as well as a high degree of adaptability, so you can easily manage changing requirements.

6. Parallel charts of accounts—When your company goes global you need to maintain multiple, parallel charts of accounts for each of your companies or entities. This allows you to comply with local accounting structures and corporate standards at the same time, while using the same source financial transactions. Various chart of accounts structures for different entities might be required for a variety of reasons. Some countries require financial data to be coded against a statutory chart of accounts structure, and many companies may have a different local chart of accounts. In addition, acquired entities may continue to operate an historic coding structure, or different lines of business may find different structures more appropriate. It's essential that you be able to accommodate these differences, but report based on a central coding structure for the head office. Look for systems that allow you to maintain multiple charts of accounts for each company, so you can easily apply different reporting perspectives to the same financial transactions.

7. Parallel books for different accounting treatments—The ability to have multiple books (transaction sets) for each company allows you to record alternative treatments for local GAAP, US GAAP, IFRS, tax, etc. In addition to the actual accounting transactions, look for the ability to have additional books that share the same accounting structure and setup but hold separate transactions. This allows you to capture budgets and commitment transactions, while also allowing recording adjustments for alternative tax treatments.

8. Smart transactions for localized reporting—Smart transactions capture the detailed data you need to analyze or report on at the source. They give you the ability to define additional data to be captured and stored on all source transactions, with the option to refine what data is required on different account types or transactions. For example, for a travel related expense posting, you may choose to capture the employee code or the destination. However, you also need to be able to change data capture requirements or add new dimensions. The bottom line on smart transactions is that they provide a great deal of flexibility and improve your ability to respond quickly to changing needs—both essential capabilities for multinational finance departments.

9. Global access—Deployment options are a critical component to consider for global financial management systems, as the sophistication of technology infrastructures varies widely around the world. Look for a solution that can be installed centrally or as a shared service with access via a web interface. The solution should also be simple enough for local installations where communications do not permit Internet access or legal requirements dictate where financial data must be hosted. You'll also want to consider mobile access, which is becoming increasingly important as the rate of smartphone usage continue to skyrocket worldwide. (Do you have the right mobile strategy in place? Read the white paper, *The Mobile (R)evolution—Choosing the right road to mobile enablement*, at www.infor.com/solutions/ion-technology/mobility/)

10. Integration—Some multinational organizations deploy a single, shared solution across all entities, and it's wise to look for a system that provides that option. However, it's very common for companies to end up with multiple financial management systems, either temporarily, until operations can be merged, or for the long-term. As a result, integration is an important point to consider. Historically, integrating disparate systems has been time-consuming and complex. However, advances in technology have simplified this process, streamlining initial integration, upgrades, and long-term maintenance. Integrating your financial management systems is critical for achieving visibility across the organization, reporting effectively, and providing a single, shared set of data that stakeholders can trust. It's also a major factor in driving long term return on your investment. (How can you simplify system integration? Read the white paper *What makes Infor ION tick? The top 10 things you should know*, at www.infor.com/solutions/ion-technology/ion/)

Establishing business operations in a new country, while exciting, brings new challenges and expectations. However, with the technology available today, there is no reason that multinational financial requirements should hinder your ability to grow profitably. By making sure that key capabilities are built in to your technology, you can make your financial management system and processes an asset to global expansion, not an obstacle.

Your global technology partner

Infor® has extensive experience both with supporting global organizations and working with CFOs tasked with managing complex M&A activities. As one of the world's largest providers of enterprise business solutions with over 70,000 customers worldwide, including more than 25,000 who rely specifically on Infor's solutions for the Office of the CFO, we offer the innovation, expertise, and global presence to help companies compete effectively in fast-paced, dynamic markets. We are proud to support organizations like World Vision, Seventh Day Adventist, and MAPFRE Argentina.

From managing complex tax structures, risk, regulations, and analysis and reporting, to effectively handling requirements for multi-currency, multi-calendar, and multiple charts of accounts, Infor's comprehensive Office of the CFO solution suite easily lets you handle the complexities of going global. You'll have a single system that you can deploy in any location (without breaking the bank), and you'll be able to manage both complexity and change with confidence. Infor's global financial management solutions cover areas such as:

- **Enterprise Performance Management**—Reduce financial planning time by up to 70%; get role-based analytics, dashboards, and scorecards that let you predict business performance and track it with ease; and accelerate your month-end close process.
- **Core Financial Management**—Adapt to changing business needs, eliminate manual processes, and more effectively manage supplier relationships.
- **Governance, Risk & Compliance (GRC)**—Cut hundreds of hours out of audit cycles and easily meet changing regulatory requirements.
- **Cost Control**—Maximize investments in human capital, eliminate hidden travel expense management costs, and optimize asset and inventory profitability.
- **Human Capital Management**—Improve the delivery of HR services, effectively manage talent, lower costs, and improve employee satisfaction.

Infor also has a strong on-going commitment to innovation and recently announced the availability of Infor 10x, the latest release of our enterprise business applications. From expanded functionality designed specifically for the needs of financial executives to market-leading capabilities in areas such as social business, mobility, analytics, and integration, Infor 10x is the result of over 10 million hours of development time in just a 24-month timeframe. And it's only the beginning. For more information on how Infor can help you achieve your objectives, visit www.infor.com.



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