

# A Transition Framework for the Enterprise Globalisation Process

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**ABSTRACT**

*The aim of this paper is to propose a transition framework for enterprises involved in globalisation process. The proposed global transition framework consists of five phases: planning for global IT transition, investigating current business, identifying global transition requirements, enacting global transition process, and verifying global transition achievement. Each phase is discussed in great details to provide organisations a comprehensible vision for the operation of global transition process.*

need to find out more, and eventually the transition plan will provide the organisation with a roadmap to development.

When preparing the transition plan, certain issues may be outlined to draw the organisation’s attention in this early global transition stage. These issues could be identified in five areas consisting the executive consensus, investigation of foreign markets, allocation of personnel and resources management, global operation strategy, time and budget. Each of these issues is further discussed in the following subsections.

**INTRODUCTION**

In today’s 21st digital century, almost all businesses face intense contest from competitors all around the globe. The rapid change of global environment forces enterprises to seek suitable business strategies to sustain them in the competitive marketplace. This leads enterprises to change their existing ways of conducting and operating businesses, and transform themselves in a way that will enable them to cope with the global challenges, compete globally and eventually grow. Accordingly, the main objective of this paper is to construct a framework to demonstrate the practical application of the concepts of global IT transition. Based on the author’s previous work, the concept of global IT transition referring to the management and utilisation of information technology and systems in an organisation’s globalisation process (Lan, 2003a). This global IT transition framework consists of five phases leading an organisation from pre-globalisation situation toward the globalised state (Figure 1). These global transition phases are:

1. Planning for global IT transition
2. Investigating current business
3. Identifying global transition requirements
4. Enacting global transition process
5. Verifying global transition achievement

Each of the above phases is further subdivided into component tasks, which are discussed in detail in the remaining paper.

**PLANNING FOR GLOBAL IT TRANSITION**

Global transition process is not a simple and straightforward project. It requires intensive involvement in human resources and management operations. Hence, developing a detailed plan is considered the primary and initial phases of the global transition framework. Additionally, writing a clear plan is the best way to formalise the global transition ideas and structure them so that the organisation can realistically assess whether the transition project will be viable, and to ensure that the transition processes are operating within the time and budgets limit.

An appropriate global transition plan will help the organisation to discover the right questions as well as providing some of the answers in the global transition process. It will reveal areas where the organisation

**Executive Consensus**

The preliminary condition prior to the development of global transition plan is to ensure that the senior executives of the organisation have consented to pursue the global transition. It is imperative that the decision makers of the organisation have a clear understanding of the globalisation strategy and have recognised the implication of undertaking the global transition process. Without the consensus, it is pointless to approach any activities in regard to the globalisation.

**Investigation of Foreign Markets**

The key difference between a MNC and a non-MNC is the presence of foreign business units. To become a globalised organisation, establishment of foreign subsidiaries or business units is considered an essential process in the early global transition stage. Nevertheless, it is crucial to investigate the intended foreign markets prior to establish the business units or subsidiaries. The investigation should not be concentrating merely on the market itself. It needs to be comprehensively covering almost every aspect of the market such as the freedom of fund flows, taxation systems, employees’ knowledge level, labour costs, effective distribution channels, telecommunication infrastructure, culture, political situation, encouragement of foreign investment, public order and human rights. In addition, as the globalisation is considered the long-term and continuous business strategy, the conditions of these factors will be changing dynamically. Thus, the evaluation of these factors should not be restricted in the current status; it is more appropriate to deliberate these factors for a relatively long period of time. In other words, the measurement of appropriateness should be focused on both current and long-term business operations.

**Allocation of Personnel and Resources Management**

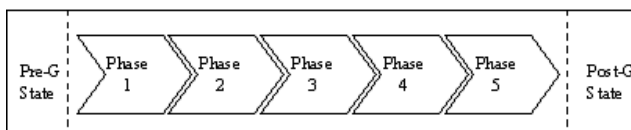
Human resource is always one of the important components in most projects. It is even imperative in the global scaled projects. During the development of global transition plan, companies need to identify the employees’ involvement in each stage of the framework, and the roles and responsibilities of employees in the whole transition process.

Moreover, to develop an effective global information system towards the success of global transition, the management of resources is considered as a crucial element throughout the entire project. The availability of resources should be made in a timely manner to ensure the continuously progress of the project and eliminate the delay of transition processes. In many organisations, the resources refer to three categories namely, people (as human resources), information, and infrastructure (both business and technology) resources.

**Global Operation Strategy**

When a non-MNC is committed to engage in global transition, the company has to figure out the appropriate type of organisational

Figure 1. Global IT transition framework



structure to follow. As in Bartlett and Ghoshal's seminal work (1989), each of the four MNC organisational structures (multinational, international, global, and transnational) has quite distinct characteristics, advantages and drawbacks. To choose a suitable structure depending upon how the company's strategy to operate its business globally and what sort of relationships will be maintained between the headquarters and subsidiaries.

#### **Time and Budget**

A thorough project plan requires incorporating the management of company resources, time and cost towards the completion of all project activities (Kerzner, 2001). Time and cost are the constraints on the project. A comprehensive project plan should be presented that it is possible to manage the project within the allocated time period and within the budgeted cost. Global transition process is considered comparatively large project in terms of time, cost and resources. Without a comprehensible specification of required time and cost, such global scaled project would not be successful in terms of within time and budget limits. Thus, it is essential that the plan is clearly stating the costs and time allocated for each and all activities.

#### **INVESTIGATING CURRENT BUSINESS**

The next step after detailed global IT transition plan phase is to identify the company's existing information technology structure, knowledge level and business processes. Additionally, it is imperative to recognise types of customers, their requirements and level of satisfaction.

#### **Information Technology Capabilities**

The company's technical capabilities can be delineated through five categories including hardware construction, software systems and applications, network architecture, database system, and security structure.

#### **Knowledge Evaluation**

Knowledge of the employees is an important asset of any enterprises. Generally the skills, capabilities and knowledge of each staff in an organisation are recorded and updated to ensure the suitability of performing appointed business operations and activities. These elements of employees' competencies are also incorporated into company's information system to accomplish five major benefits. These benefits embrace the improvements in efficiency, the improvements in effectiveness, the improvements in focus, automating and eliminating works, and reduction of reworks.

#### **Business Processes**

A number of common core business processes for manufacturing companies can be identified and IT enabled through the operation of the companies' information systems. These core business processes embrace raw materials purchasing, raw materials process outsourcing, products assembling, final products packaging and stocking, sales order processing, production scheduling, products dispatch and delivery.

#### **Customer Evaluation**

Undoubtedly the above three subsections identified the elements of current business investigation from internal viewpoint. Nevertheless, it is imperative to obtain the existing business status from external perspective as well. Since customers are the most important entity of most organisations, this subsection deals with the analysis of the company's existing customers in terms of their characteristics, requirements, and level of satisfaction.

First of all, each customer should be categorised in accordance with the level of importance. The importance factors can be identified through the analysis of sales orders, monthly sales total and payment history. Customers are determined as crucial ones are those who feature in high monthly sales total with correspondingly large volume of sales orders and acceptable payment schedules. Secondly, customer service programmes should be developed to fulfil the requirements and achieve the level of satisfaction particularly for those identified as crucial

customers. The construction of appropriate customer service programmes should consider several factors including the location of customers, customers' access times, creating a value-added supply chain, and developing or enhancing appropriate business processes to facilitate customers.

#### **IDENTIFYING GLOBAL TRANSITION REQUIREMENTS**

Following the investigation of current business status, organisations need to identify what do they wish to achieve to globalise? These objectives are the main driving forces or global business drivers as defined by Ives et. al. (1996) for organisations pursuing globalisation; some of them are outlined and further discussed as follows.

1. Utilising global resources – in accordance with the main characteristics, the global resources can be further divided into two categories, which are global human resources and global material resources. Labour costs is always the main concern of any organisations, by pursuing global operations, organisations have opportunities to utilise global human resources by means of obtaining highly skilled work force with favourable salary levels.
2. Implementing rationalised and flexible operations – in rationalised operations, the same products are manufactured through various dispersed business units where the components are produced based on the availability of resources and materials.
3. Diminishing risks – globally dispersed business functions strategy allows the company to discrete its investments and thus minimise the risks. Additionally, distributed enterprise competencies would leverage the risks for those who are vulnerable to political and economic conditions in particular countries.
4. Building global products – developing consistent products in the global scale is becoming an important factor of meeting customer requirements. The standardised products would provide the company to accomplish the customer requirements in a number of circumstances such as:
  - a. allowing multinational customers to access the consistent products across their dispersed global operations;
  - b. providing global consumers with standardised products and services regardless of locations;
  - c. providing the basis for economics of scale;
  - d. achieving homogenised customer needs; and
  - e. overcoming competitive pressures.
5. Reducing material costs – setting up production plant nearby the sources of materials would provide the company with competitive advantages in terms of reducing costs, shorten delivery period and easy access of suppliers.
6. Improving customer services – it is considered the most common globalisation requirement among all other global business drivers. As customers are pursuing globalisation, the organisations have to transform themselves to fulfil the requirements as well. Organisations need to ensure that the services they can provide to those global customers are consistent across national boundaries. This global services network enables quicker responses of customer enquiries and shortens the time for problem-solving process.
7. Increasing revenue – this can be seen as the ultimate objective of globalisation. It is the result of global establishment and operations. Although the benefits are invisible at the early stage of global transition, in fact, organisations normally spend enormous amount of investment for establishing foreign business units. Nevertheless, globalisation is a long-term business operation and investment that organisations would be anticipating the growth of revenue due to more and more customers and suppliers are transforming towards globalisation and seeking for global business partners.
8. Having opportunities to access to different types of markets – operating business in the global scale allows organisations to broaden their business activities from limited or restricted regions to diverse spectrum of markets all around the globe. In addition to access the diversity of markets, organisations are also gaining

the flexibility to allocate their resources effectively to the specific market requirements.

**ENACTING GLOBAL TRANSITION PROCESS**

After the development of global transition plan, identification of current business status, indication and realisation of global transition requirements, this phase deals with the actual implementation of global transition process.

A number of activities involved in the enactment of global transition process beginning with launching of transition, monitoring the transition process, accepting and reviewing feedbacks. These activities are briefly discussed in the subsequent subsections.

**Launching of Global Transition**

The time of launching of global transition depends upon the existing business situation. It is basically broken into three stages consisting preliminary investigation, establishment of global business units, and implementation of global operations. In the preliminary investigation stage, organisations would spend the majority of time in collecting foreign markets information and analysing appropriate locations for overseas business operations. These activities are mainly initiated by the chief executive officer or senior managers who have been appointed to involved in the management of global transition process. In the second stage, the transition activities focus on the establishment of global business units. Establishing foreign business units is a complicated task. In order to ensure the successful establishment of overseas business units, it is crucial that the parent company is effectively providing necessary resources and supports. Senior managers and middle-level managers who have the knowledge of local markets and foreign business operating capability are most appropriate candidates of this stage. The third stage is the implementation or operation of global transition stage. Activities of this stage rely on the specific business functions assigned to the business unit. For instance, if the foreign business unit is to conduct production activities, then the implementation of global operation would be based on performing the production-related tasks such as the purchases of materials, stock and inventory management, manufacturing process, quality control process, packaging process, distribution and delivery operations. Consequently, human resources are intensively involved in this stage to ensure the sufficient resources are available for perpetual implementation.

With the intention of applying IT in global transition process, some activities of the above three stages would be conducted through information systems enabled operations. For example, data collected in stage one can be centralised in a database management system, which would be employed as the information source for other information system components to provide further analysis to the organisation. In the establishment and implementation stages, intensive data and information are flowing between the parent company and the overseas business unit. To perform an effective data transferring process, both sites (the parent company and the foreign business units) should construct equivalent information architecture. Such information architecture should have the capability to cope with heavy data traffic and available at all time (Lan, 2003b).

**Monitoring Transition Process**

Global transition process should be closely watched at all time. The entire global transition operation is a sophisticated project that involves enormous amount of resources from almost all aspects of the organisation. It is suggested that each phase of the transition should be partitioned into small chunks that can be easily assessed through the appropriate measurement protocol at each checkpoint or milestone. However, the measurement protocol at this point is slightly different from the verification of global transition achievement in the final phase. The monitoring tasks at this phase aim to the purpose of quality assurance. Through the internal audits and reviews, the procedures of each task or activity of a transition phase would be recorded and the final reviews will be in place to fulfil the spirits of quality standards applied (such as ISO 9000 or CMM).

**Accepting and Reviewing Feedbacks**

Accepting feedbacks is always important for any projects as that helps the project in making further improvement. The primary objective of constantly obtaining feedbacks for the global transition process is to provide organisations with opportunities of identifying significant issues, which, if left unattended, may cause failure of the entire project. The feedbacks would allow organisations to quick response the problems and assure the transition activities are conducted accurately. Generally, feedbacks are originating from people who have the association or involvement of the transition project. These people may spread across the entire organisation regardless of their locations or the level of authorities. For instance, they could be senior managers who are greatly involved in the global transition process or a local order entry operator who wishes to provide comments on the global information systems for enhancement. Additionally, feedbacks from independent parties would supply the organisation with invaluable information. These external visions are mainly from the organisation’s suppliers and customers who have more concerns about how effectiveness of the organisation’s global operations in association with their business activities and competitive advantages.

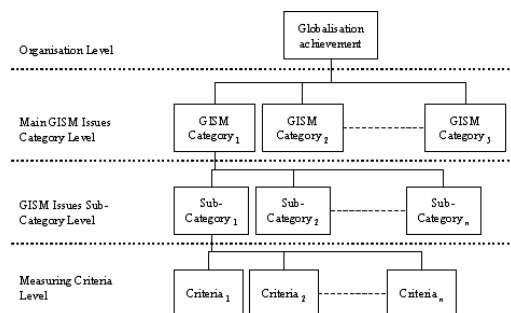
**VERIFYING GLOBAL TRANSITION ACHIEVEMENT**

Subsequent to the enactment of global transition process, it is necessary to evaluate and determine whether the organisation has achieved its globalisation objective. Developing and implementing an appropriate global transition measurement will provide benefits to companies in various aspects. Firstly, the measurement is to help the company understanding basic behaviours of the business system, exploring and discovering the relationships between business and information systems; secondly, it is to evaluate the status of projects and their relationships to business plans. This evaluation is used to judge progress toward corporate or business unit strategic goals or specific initiatives; and thirdly, it is to identify opportunities for future improvement.

In order to construct such appropriate and precise measurement for evaluating company’s global achievement, it is crucial to develop the measurement model in a systematic manner.

The conceptual model of globalisation achievement measurement (Figure 2) is constructed by a top-down decomposition hierarchical structure. This hierarchical structure allows organisations to view their globalisation achievement in four levels including the entire organisation level, main global information systems management (GISM) issues category level, GISM issues subcategory level, and measuring criteria level. The highest level represents the globalisation achievement of the entire organisation. The result of this level would provide senior executives with an abstract view of what is the company’s status and achievement of global transition process. This organisation level is based on the amalgamation of the second level – main GISM issues category level components. It consists of the measurement of five main global information systems management issues categories defined in the author’s earlier work (Lan & Khan, 2003). Each of these five is further broken into a number of subcategories, which formed the third level. Furthermore, the bottom level represents a range of validating criteria that are identified and applied for the measurement of each subcategory.

Figure 2. Conceptual model of globalisation achievement measurement (Lan & Khan, 2003)



## CONCLUSION

Global transition framework aims to identify and provide the essential activities required for organisations undertaking the global transition process. In developing the conceptual model, the transition activities are categorised into five abstract phases and presented in three logical stages. The first stage is the preparation stage consisting the planning for global transition, investigate current business, and identify global transition requirements. It is followed by the second stage concentrating on the enactment of global transition process. The verification of global transition achievement serves as the final (third) logical stage to measure the level of globalisation accomplishment.

Based on Ives et. al.'s global business drivers, eight global transition requirements or objectives have been identified and further delineated to provide a clear understanding of the purposes of globalisation. These eight global requirements include utilising global resources, implementing rationalised and flexible operations, diminishing risks, building global products, reducing material costs, improving customer services, increasing revenue, and having opportunities to access to different types of markets.

Once the plan, current status and requirements are ready, the enactment of global transition is in its operating position. To conduct a successful transition, the launchings of transition process in various stages and the respective responsibilities are outlined, and the transition plan is regularly reviewed in conjunction with the acceptance of feedbacks from both internal and external participants.

Finally, the global transition achievement measurement is conducted to exam how the company has reached in its globalisation vision.

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