

Business Models in Today's Global Economy

Why do business models have to change?

Executives who are leading and managing international corporations are faced with a multitude of new levers giving them many options to improve and change on how their companies can operate. The focus is on driving growth and improving efficiency in their operations at the same time. Many of these changes are driven or constrained by the use of IT.

What options do I have?

The globalization in today's economy offers many dimensions that can be leveraged to achieve objectives. Many years have gone into business transformations deploying Shared Service Centers and using "off-shore" providers in new economies. Most of the large corporations invested or are still implementing massive ERP solutions with no clear view on their ROI. In the meanwhile, the cost advantages of Indian suppliers are shrinking and the limitation of resources limits their ability to service clients. The key aspects that shape new global business models are:

- Captive vs. Outsourced
- Near- vs. Off-shore
- Demand vs. Supply
- Central vs. Distributed

How to decide what's the right scenario?

Which processes are run where and from whom and how they are integrated, requires a detailed analysis of the strategic direction and business requirements in each company. The flexibility adapting to change and the required control will drive the decisions around location and provider. What is core to a business today and tomorrow should be defined up-front and managed in a captive operating model. An off-shore outsourced process will allow for limited flexibility, go through lengthy negotiations and alignments if rapid changes are required and limit the in-house control. Many of the companies who are advising in this area have their own agenda and therefore offer limited objectivity or if they are objective have limited experience of running an operation. As CEO Ronald Hafner from Lodestone says: "our clients are looking for independent advisers who maximize the benefits and build a platform for future growth". This can also mean that companies invest in a captive solution in a new economy to position themselves as an economical contributor for future national growth.

And why does IT matter?

It should be clear to CEOs and business leaders since quite some time that Business and IT can not be decoupled. However, still many decisions on business process transformation are made without proper engagement of IT and the CIO. Today's IT organizations are setting themselves up to differentiate between managing the demand for their IT services to achieve better alignment with business priorities and sourcing the supply from the most efficient source while keeping flexibility to respond to changes that are inevitable. With the heavy investment in ERP systems that should drive business improvements, many companies are finding themselves with sub-optimal enterprise architectures and "cast in stone" systems.

That proves the case that IT matters and if designed right it can even accelerate the ability to grow and drive efficiency in global business models.