



Overview

Individual business units or functional silos that are insulated from an overarching operating strategy have long been an inhibitor of efficiencies. But in today's global environment, individual fiefdoms among business units and geographies can keep automotive enterprises from realizing their potential.

The answer for many is to adopt a "globally integrated enterprise" operating model. The results can be significant, as demonstrated by the high performers already on this journey. The path can be long and arduous, taking years and requiring continuous transformation. But for those automotive companies with a global footprint, integration is a topic that can no longer be ignored: it is likely to separate the winners from the rest in the coming decade.

IBM Institute for Business Value

Transforming the automotive industry

A globally integrated enterprise point of view

Many automotive companies find themselves functioning in a global environment with an operating model designed for more limited scope. Insulated operations, lack of customer-driven vision and inconsistent communication combine to create inefficiency and waste and greatly inhibit concerted, company-wide and/or ecosystem-wide collaboration.

Often, organizations find solutions to these issues by transforming into globally integrated enterprises (GIEs). A GIE combines global efficiencies with market responsiveness to address the challenges and opportunities that a global economy brings to an organization and its industry. The GIE operating model emerged from massive socioeconomic changes that occurred throughout the world in the 1990s, including the emergence of the Internet and the increased global footprint of multinational companies.

Nearly two decades later, numerous companies still struggle with the GIE concept and continue to find themselves unnecessarily cumbersome and ineffective in dealing with new geographies, new customers, new employees and new technology. Many companies want to be globally integrated, but just are not sure of the path to get there.

To learn about how companies are embracing GIE and how well (and quickly) they are adopting this operating model, the IBM Institute for Business Value surveyed more than 1,000 executives around the world. Through analysis of survey responses, we found that companies generally progress in their GIE journey in an "inside-out" manner.



They start with back-office, shared-services functions (for example, Information Technology, Sales Support, Finance, Supply Chain/Operations and Human Resources) and cross-functional processes (such as order to pay and order to cash). As they progress on their journey, they tend to take a more external view and shift their focus to optimizing their entire ecosystem.

We also found that a group of high performers take this even further, partnering across their value chains through marketing and customer-facing initiatives—with constant attention to improving and innovating the customer experience. They create a culture of innovation that greatly surpasses that of their peers. From the results of these high performers and IBM's own experience, we see that GIE transformation is about transforming the organization for efficiency, effectiveness and to enable new growth (see Figure 1).

Automotive: Ahead of many

The automotive industry is trending its transformation ahead of many other industries. Our findings show that the top three impacts and challenges on the automotive industry are: shareholder and/or stakeholder pressure to improve profitability and revenue growth; expansion through mergers and acquisitions; and product and service innovation.

Examples of this automotive leadership include:

- Significantly more automotive and banking respondents have already invested in global integration for more than ten years versus respondents in other industries
- Automotive and transportation/travel are spending the most on such transformation of any industry group (7.9 percent), closely followed by banking and industrial products (7.8 percent)

Globally Integrated Enterprise

Transforming the organization for efficiency, effectiveness and to enable new growth



Optimize operations globally

Reinvent processes and integrate functions, removing complexity and uncovering new efficiencies

Activate information and analytics

Improve business performance across all functions with data-driven insights

Accelerate organizational agility

Infuse speed, flexibility and collaborative behavior into the organization to capitalize on market opportunities

Source: IBM Global Business Services; Globally Integrated Enterprise Center of Excellence.

Figure 1: Global transformation requires optimized operations, activated information and accelerated organizational agility.

Key Contacts

Global

Alexander Scheidt
alexander.scheidt@de.ibm.com

Dave Lubowe
dave.lubowe@us.ibm.com

IBM Institute for Business Value

Ben Stanley
bstanle@us.ibm.com

Americas

Karen Newman
newmank@us.ibm.com

Germany

Axel Rogaischus
axel.rogaischus@de.ibm.com

Japan

Toshiro Masukawa
tmasuk@jp.ibm.com

China

Smile Shi
smile.m.shi@cn.ibm.com

Brazil

Rodrigo Stanger
rstanger@br.ibm.com

To read the full cross-industry report, “Global transformation from the inside out: Optimizing the entire ecosystem,” visit ibm.com/services/us/gbs/thoughtleadership/global-transformation/

Access IBM Institute for Business Value executive reports on your tablet by downloading the free “IBM IBV” app for iPad or Android from your app store.

- Of companies undergoing transformation, 50 percent of automotive participants told us they have successfully managed change in the past
- Significantly more automotive companies (60 percent) credit analytics with identifying ways to reduce costs throughout the enterprise, compared to other industries in our study
- Automotive respondents (58 percent) provide operation centers with cross-functional expertise more than other surveyed industry groups
- Automotive (69 percent), telecommunications (59 percent), electronics/technology and industrial products (58 percent) were the industries with the most respondents citing global integration’s positive impact on efficiency/productivity.

Recommendations for automotive executives

A GIE drives sustained transformation with predictable business results. For Automotive organizations, we offer these recommendations:

- Integrate and simplify processes to reduce costs
- Enable flexibility and scale with new markets and products
- Standardize processes to increase effectiveness
- Free cash flow to invest in new capabilities.

Transformation from the inside out

As companies progress in their transformation journey, from shared to globally integrated functions, cross-functional processes and centers of excellence, they can achieve significant impact. The more globally integrated their functions become, the greater the impact that they are achieving, as evidenced by the high performers in our study. High performers are, on average, 60-80 percent more globally integrated than the other respondents and are achieving significantly higher results — from 35 percent more impact in Information Technology to about 45 percent in Human Resources, Finance and Supply Chain.

How can IBM help?

IBM has a long history of helping industry after industry capitalize on complex systems and transform businesses. As a global manufacturer ourselves, we understand the issues that automotive companies face. Our automotive industry solution portfolio for product and complex system development, advanced mobility, manufacturing productivity and service excellence has been developed and continuously refined through implementations with clients around the world, ranging from secure chip assurance to top-level business consulting. IBM has partnered with the automotive industry for many years, helping transform its organizations and create new business opportunities while satisfying customer expectations — the biggest and most important driver of change in the automotive industry.



© Copyright IBM Corporation 2014

IBM Global Services
Route 100
Somers, NY 10589
U.S.A.

Produced in the United States of America
August 2014
All Rights Reserved

IBM, the IBM logo and ibm.com are trademarks or registered trademarks of International Business Machines Corporation in the United States, other countries, or both. If these and other IBM trademarked terms are marked on their first occurrence in this information with a trademark symbol (® or ™), these symbols indicate U.S. registered or common law trademarks owned by IBM at the time this information was published. Such trademarks may also be registered or common law trademarks in other countries. A current list of IBM trademarks is available on the Web at “Copyright and trademark information” at ibm.com/legal/copytrade.shtml

Other company, product and service names may be trademarks or service marks of others.

References in this publication to IBM products and services do not imply that IBM intends to make them available in all countries in which IBM operates.

This report is intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. IBM shall not be responsible for any loss whatsoever sustained by any organization or person who relies on this publication.

The data used in this report may be derived from third-party sources and IBM does not independently verify, validate or audit such data. The results from the use of such data are provided on an “as is” basis and IBM makes no representations or warranties, express or implied.



Please Recycle