

NEC Global Business Process and IT Innovation Project «Stage 1»

NEC reforms business processes and IT systems to speed up consolidated business management and improve global competitive strength.

Challenges

- Improving global competitiveness required agile consolidated business management of NEC group companies including all overseas subsidiaries.
- Business processes and IT systems were not coordinated among local subsidiaries raising overall IT costs and making it harder to implement internal controls and ensure governance.
- NEC Latin America needed to overhaul their core systems, which were unable to handle revisions to tax regulations, etc., and reorganize their satellite systems.

Solution

- NEC launched the G1 Project in the Latin America region to reform business processes and IT systems, reduce IT costs, and utilize information based on unified criteria for business decision-making.
- A standard system based on SAP ERP was applied, with the local requirements limited only in the three areas; “laws” “tax regulations” and “major accounts”.
- Integration tests involving local staff were run to establish the system smoothly.

Results

- NEC headquarters now has access to up-to-date consolidated management information which can be used to make quick decisions in response to changes in the business environment.
- Process and system controls have been strengthened by implementing global standardized business processes and IT systems.
- Complex revisions to tax regulations can be handled easily by a single, integrated core system.
- NEC has acquired extensive knowledge that can be used to support customers wanting to reform their business processes and IT systems on a global scale.

Introduction

To maintain global competitiveness in a climate of fierce business competition, companies engaged in global operations must reduce costs by making management more agile and establishing a standardized business infrastructure common to all their group companies. NEC has responded to these demands by launching the G1 (Global One) Project with the goal of providing IT systems as cloud services to its overseas locations from the NEC data center in Japan. Following successful implementation in North America and Asia, NEC has now succeeded in establishing the project in its Latin America region. As a result, the corporate headquarters in Japan now has access to up-to-date consolidated business management information from the Latin America region, allowing NEC to quickly respond to changes in the business environment.

Challenges

The financial crisis of 2008 had a profound effect on NEC's global business operations. To stay ahead of fierce global business competition, NEC was faced with the arduous task of reducing production costs and accelerating development to keep pace with shorter product life cycles. Stricter international laws and regulations have also compelled NEC to review its CSR activities and enhance internal controls.

“These are major management issues that cannot be resolved all at once,” explains Hitoshi Kotake, General Manager of Management Information Systems at NEC. “To become globally competitive, we needed to increase management agility while reducing costs. But from a CSR perspective, we needed to know the status of each company in the group to ensure compliance with local laws and regulations. So it was essential to standardize business processes and IT systems across the entire group to allow us to make quick decisions and take immediate action when required.”

Solution

In July 2008, NEC launched the G1 (Global One) Project to promote business process and IT system reform. The goal of the project was to establish a “One NEC” common group business infrastructure that would standardize core area business processes such as accounting, purchasing and sales, which had been independently optimized by different subsidiaries. To achieve this, NEC implemented a cloud-based IT system based on SAP ERP.

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“Our goal is to use SAP ERP to keep IT costs down across all regions, and to obtain information based on unified standards which we can then use to make business decisions,” says Johji Hirota, Assistant General Manager of Management Information Systems at NEC.

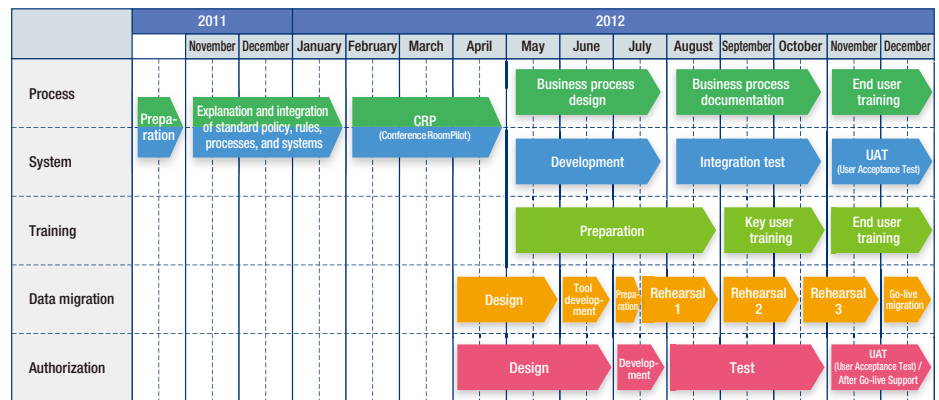
NEC started rolling out the new system at NEC and major consolidated subsidiaries in Japan and overseas in April 2010, and in the fall of 2011, the G1 Project was launched at NEC Latin America S.A., the Latin America regional headquarters and NEC’s local subsidiary in the fast-growing Brazilian market.

In preparation for G1 Project launch, NEC worked with the local subsidiary to determine the best way to implement the project. Representatives from the headquarters in Japan were sent to the region to explain the newly standardized policies, rules and processes to the local subsidiaries, and determine if there were any requirements unique to the local subsidiary for which application of the new standards would be difficult.

“When rolling out the project initially, we resolved that unique local requirements would be restricted to those related to laws, tax regulations, and major accounts,” explains Hiroshi Sudo, Senior Manager of Management Information Systems at NEC. “We therefore took the approach of applying the standards unchanged as much as possible in Latin America.” NEC started by explaining the IT system to the local subsidiary, checking the business model currently being used, and identifying differences between the local business processes and the processes used by the standard, SAP ERP-based system. Gaps were removed by aligning local processes with the standard system. NEC then started patterning business processes based on the standard system while moving ahead with local process optimization.

In the next phase, NEC built a pilot system and ran it on actual machines to verify with the local subsidiary that the standard system could execute requisite business processes. NEC then made adjustments and conducted an integration test.

“Both the rollout team members and local staff participated in the integration test to confirm at an early stage that local staff would be able to use the standard system properly,” says Yuji Ota, Manager of Management Information Systems at NEC. “We also performed final validation with local staff before launching the system on schedule in January 2013.”



“The consolidated management cycle at headquarters has been shortened from monthly to weekly, and business decision-making is more prompt.”

With speedier management, NEC can respond more quickly to changes in the business environment. The application of standardized business processes and IT systems has also brought governance to decision making and the approval process flow, which has produced tremendous results in terms of improved operational efficiency, more robust business controls, and enhanced IT management.

Implementation of the G1 Project has also proved effective in other ways. Project performance management is now automated, and project statuses (profit and loss) can be understood immediately according to region, customer, and site (headquarters, branch office, warehouse). Not only can project issues be addressed quickly, but Brazil's unique tax regulations can now be handled by using SAP ERP with a single additional system. Invoicing processes, including tax reports and the Nota Fiscal (tax invoice) can now be automated, leading to significant improvements in the day-to-day operations of the local subsidiary.

Moving forward, NEC plans to continue rolling out the G1 Project in other regions and local subsidiaries.

“Our goal is to standardize and streamline all business processes, including CRM and SCM, on a global scale,” says Hitoshi Kotake. “We have also established a system to support initiatives such as deploying SAP ERP to our global customers as well as improving our global business processes. We have learned a lot from our experience in the Latin America region where introduction of the system proved extremely difficult due to such factors as the complexity of the tax regulations.”

About

Focusing on “Solutions for Society,” NEC leverages its strengths in information and communications technology (ICT) to provide new social infrastructure that will make society safer, more secure, more efficient and fair, and create a place in which people can lead prosperous lives. We aim to realize an "information society that is friendly to humans and the earth" while at the same time adapting our solutions to diverse regions of the world so that we can provide products and services tailored to our customers. Going forward, we will strive to expand our Solutions for Society to maximize the contributions we make to all regions of the world.

Results

The standard system implemented at NEC Latin America S.A. consists of the Sales and Distribution (SD), Material Management (MM), Project System (PS) and SAP ERP modules, and their supporting modules, Controlling (CO), FI Financial Accounting (FI), Business Reports, and Authorization Management. Currently approximately 500 users in NEC Latin America are using this global common business infrastructure.

“Business information at NEC Latin America is now shared daily, together with information from other major consolidated subsidiaries,” says Johji Hirota.

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