



Snapchats for Boards

by TPA Global

Single Business Entity for Boards



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1. What is a Single Business Entity (SBE) and how does it affect multinationals?

A Single Business Entity aligns a company's legal and tax structure to its business reality, increasing flexibility and control and reducing costs.

Multinationals evolve over time, via organic growth or M&A's. They consist of numerous legal entities in different countries. Markets however are global, regional, determined by demographics, industries or numerous other dimensions. The legal entity structure determined by fiscal territories no longer aligns with that of the markets or with how businesses are run.

As a consequence the traditional situation with daughter companies, all set-up as if they were autonomous companies creates an internal spaghetti of inter-company trading, business processes and consequently data and ERP (Enterprise Resource Planning) configurations. ERP solution providers have grown very skilled at automating the complexity arising from this spaghetti. However this comes at a cost, a cost in terms of reduced flexibility and control and administrative overheads and ERP costs.

An SBE eliminates the complexity by concentrating all external commercial processes and ownership of working capital in one single legal entity, the SBE. Within the SBE model only one entity (the SBE) owns all raw materials and products, regardless of the physical storage location. All transactions to purchase raw materials and sell products are performed by title of the SBE and all debtor and creditor positions are held by the SBE. The physical supply chain remains unchanged. The SBE acts as the central legal and fiscal platform for administrating business(es).



Daughter companies are set-up as service providers for the SBE and remunerated through a monthly service fee. They can have a sales role, focused on understanding customer requirements and providing customer service or a supply chain role, focused on operational excellence (Combinations are also possible as well as services such as Shared Service Centers, R&D service etc.).



Business strategy and control is managed from the SBE and the SBE typically houses BU management and central functions.

Through the SBE set-up a multinational can act as if it were a single company, while still having all the advantages of international presence. Control and flexibility are both improved. Control over suppliers, customers, working capital, business processes, master data etc.. Flexibility in setting up sales and distribution channels without the legal entity dimension getting in the way. Integrating acquisitions, developing new market tools (E.g. internet sales, distributed through central hubs) and ERP solutions, but also the day to day administration of the business will be more efficient.

2. What are the practical implications of a SBE to your firm?

An SBE offers advantages in several strategic and operational areas, such as:

- The development of new customer tools that need to be integrated with an ERP system, like internet and mobile applications. With an SBE these need to link into one company only;
- The swift integration of acquisitions, by plugging them commercially onto the SBE platform, without cumbersome entity by entity implementations;
- Single ownership of multi-source customer orders, without the need to split them by supplying legal entity;
- Leveraging the size of the company in talent management, as the organization can be optimized around business processes, without being cut-up by the legal entities;
- More efficient compliance processes, be it BEPS or REACH, as all data is held in one legal entity;
- Simplified accounting and compliance, particularly for the sales and supply chain entities;
- A single set of real-time business data;
- Full transparency of purchases, sales and working capital related processes;
- Naturally enforced standardization of business administrative processes;
- A single ERP configuration;
- Full supply Chain management.

Through an SBE the historically developed legal entity dimension, which has long lost its market relevance, is brought back to its bare minimum. Offering customers a value they are willing to pay for; delivering it at a cost that allows for a profit and in a way that society will allow you to continue.

Designing and setting up an SBE will require a one-off project, which ensures legal and fiscal legislation in each country is respected, business processes and organization are aligned and the ERP system is configured for the SBE structure.

3. Boardrooms agenda on SBE

The list of ten questions provides structure to an engaged dialogue between board members.

The list of questions on SBE:

1. Are market developments likely to require major changes to our business processes and or organization?
2. Will internet sales and a development towards solution- rather than product- offering impact our sales and distribution channels?
3. Internet of Things is expected to gain significant momentum in the near future. Are the opportunities understood and how will IoT be linked into our business processes and organization and the ERP system efficiently?
4. Are acquisitions followed up by a clear integration strategy?
5. Engaging and developing talent in different functional areas is critical to achieving high levels of excellence. Is talent management truly cross company or does fragmentation through legal entities reduce our capabilities in this area?
6. Developments like BEPS will require a higher level of central control. Is BEPS implementation going to increase compliance cost up?
7. A standardized ERP configuration, preferably based on standard functionality reduces ICT costs. To what extend are we able to achieve this now?
8. Cooperation and integration with suppliers and customers is becoming more and more important in several industries. What would be the benefit if our organization could administratively handle this through one company?
9. Sales effort, sales conclusion and distribution are becoming more and more disconnected (e.g. customer visits a shop, buys on the web and is supplied from a regional warehouse). Is this reconciled and managed in an integrated manner?
10. Shared Service Centers running non-standardized processes at best only shows the benefit of lower salary locations. To what extend do the shared service centers achieve their full potential, not only in cost, but also in quality and customer satisfaction?

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