REDEFINE AND ADAPT THE ROLE OF THE CORPORATE CENTER
AN IMPERATIVE TO FACE TODAY’S GLOBAL CHALLENGES
The role of corporate headquarters may sometimes appear to be engraved in stone, but there are actually many reasons to rethink the role of the Corporate Center in a business organization, in line with internal strategic decisions or external pressures. This issue of “Empreintes de Dirigeants” is hence devoted to developing a greater understanding of the role of the Corporate Center, defining the stakes of transforming this role, and providing a few simple analysis frameworks and suggestions to ensure the success of this transformation. In short, we want to prepare company leaders to anticipate and prepare the overriding structure of their corporations in order to cope with the formidable economic and social challenges in the years to come.

TABLE OF CONTENTS

1 THE CORPORATE CENTER: WHAT ARE WE TALKING ABOUT?  4

2 THERE IS NO STANDARD DESIGN FOR CORPORATE CENTER  6

3 HOW TO ALLOCATE ROLES BETWEEN THE CORPORATE CENTER AND THE SUBORDINATE UNITS OF THE COMPANY?  8

4 STRUCTURE AND SIZE THE CORPORATE CENTER AND ITS SUPPORT FUNCTIONS  11

5 SHARED SERVICE MODELS ARE NOW THE NORM FOR SUPPORT FUNCTIONS  12

6 DEFINE AND IMPLEMENT EFFECTIVE OPERATIONAL GOVERNANCE  14
“SIX KEY MESSAGES”

1. There are many reasons the CEO and the other company leaders may want to rethink the role of the Corporate Center, including regulatory changes, globalization, the need for new growth models, cost cutting programs, changes in leadership and mergers or acquisitions. The recurrent nature of this issue provides strong impetus to provide robust, structured approach to identify and structure thinking in this domain with a simple, yet powerful analysis framework.

2. There is no standard design for a corporate center. Recent examples show that a variety of models are possible, and no single solution works in every situation. Understanding the role of the corporate center and where it can create value for the company is critical when reflecting upon the role that the CEO wants it to play and how it fits with the rest of the organization.

3. Building architecture consistent with the allocation of responsibilities between the corporate center and the rest of the organization along different dimensions such as business lines, customer types, geographical factors, etc. requires a detailed understanding of the strategic issues for each business line, as well as the required level of autonomy for each business and function.

4. Shared service models have become the norm. We observe a need to work on the concerned functional divisions (including finance, HR, purchasing and IT), to meet two requirements in particular. The first originates as the need to rethink back office services to meet the needs of geographies and departments, whose scope has expanded, for example, while respecting the cost/quality balance specific to each organization. The second is linked to the move toward greater organizational normalization in line with external performance benchmarks. For this purpose, the establishment of multifunctional and international “Global Business Service” models is a fundamental trend which must be carefully managed today by a prepared leadership team.

5. Structuring and sizing the corporate center and its support functions or shared services requires starting from an assessment of each desired service (strategic support, potential synergies, etc.) before building an organization to serve the overall company vision.

6. A detailed, meticulous, and participative “operational governance” approach is a prerequisite to efficient and harmonious collaboration between the corporate center and the rest of a large business organization. The point is to avoid the classic pitfalls of bureaucratic red tape, organizational silos, autocracy or constant emergency fixes.
1. THE CORPORATE CENTER: WHAT ARE WE TALKING ABOUT?

RELEVANT QUESTIONS FOR BOARDS OF DIRECTORS, CEOs AND MANAGEMENT TEAMS

When thinking about the financial performance of the company, corporate globalization or growth strategies engendered by mergers or acquisitions, some relevant questions need to be asked:

- What role could the corporate center play to improve the cost/efficiency ratio of central functions? This question may mask deeper questions, e.g. What role does the Corporate Center currently play? Is the old HQ still the right structure for the future, given changes in the company and its environment? How should it be sized?
- How to ensure that shared services or pooled functions are available globally to improve both the quality of service and costs? Should we be authoritarian, centralized or flexible in respecting the autonomy of the various profit centers?
- What role should each function play in the new Corporate Center within the framework of a process to centralize previously national functions across Europe? What should be left up to the countries? How to manage the transition and how to define the new operating practices? Should this replicate the Corporate Center?
- What overriding structure is needed to manage a current or future series of complex acquisitions which could change the geographical balance and business portfolio? Would it be best to maintain a structure organized by business line, which may not be well adapted to the very different maturity levels of the new markets and acquired firms? Should headquarters be created in each region or major country and if so, what role should they play? How to manage industrial policy effectively if there is a move toward greater decentralization of responsibility?
- How to build a competent function within the corporate center to detect, train and engage a world-class executive corps?
- Finally, with regard to the merger of two major transportation players in France, despite their radically different management philosophies and leadership organizations: From what perspective to manage the new organization most effectively? Purely financial and strategic or more operational and intrusive? What role should the central functions play? How to make enlightened structural and people decisions?

Copyright © 2013 Oliver Wyman
TO MANAGE A CORPORATE CENTER TRANSFORMATION, A COMPLEX, YET STRUCTURED APPROACH IS REQUIRED

Despite the incredible diversity of questions raised and the underlying motives, a simple, yet powerful analysis framework can be used to structure thinking about possible solutions:

1. Role and positioning of the corporate center
2. Allocation of responsibilities between a global corporate center and regional headquarters or divisions or a combination of the two:
   - Who does what and where?
   - How to capitalize on the size of the company?
3. Structure and sizing of the corporate center and/or regional headquarters
4. Operational governance to track and coordinate the corporate center and regions/divisions (“Global business unit”)
5. Shared functions and services (“Global Business Services”)

This vision of the corporate world is certainly simple, but has proven nonetheless to be a very robust framework for the more specialized analyses which have been conducted by our firm on different projects over the past decade.

Of course, this is just a small glimpse into this world. In each of the areas evoked above, there are a number of specific and complementary approaches which have proven their worth time and time again.
2. THERE IS NO STANDARD DESIGN FOR CORPORATE CENTER

In recent decades, the diversified conglomerate with a distinct headquarters has become the predominant model, to the point where it is seen in every country of the globe. However, there is no standard or ideal design for the Corporate Center which fits all large corporations once and for all. To the contrary, a corporate center designed to serve the strategy must cope with fluctuating internal and external conditions, to say the least. Hence, CEOs are often obliged to reconsider the role of the center and must consequently use a structured approach to prepare such organizational changes if they want to have a positive, lasting impact on the life of their organization.

Before undertaking any organizational transformation, it is essential to understand all of the ins and outs. The first step is to define the short- and long-term role and positioning of the corporate center toward the rest of the company. It is wise to start thinking about this definition from the perspective of value created for the company and ask where it is most important to create value, even if this may require transforming some major functions. From this thinking, the role of the center can naturally be surmised.

ROLE AND POSITIONING OF THE CORPORATE CENTER

It is important to remember that a company must comply with legal requirements in terms of labor laws, publication of accounts, and taxation, as well as financial management, capital, obligations toward investors, etc. This Corporate Center role leaves very little room for flexibility.

The development of policies influencing dimensions and functions considered to add value by top management is the exclusive supervisory responsibility of the CEO, as well as the shareholders:

- The chosen policies will influence decisions concerning strategic orientations and targets, as well as the progress made by the various units and major investment decisions.
- Corporate policies and/or standards aimed at functions such as human resources, purchasing, IT or R&D must be developed to optimize scarce resources, create synergies and improve the quality of delivered service. The importance of the Corporate Center’s role in influencing and developing policies is thus variable from one firm to the next, and as a result, must not be delegated lightly!

Finally, another role of the corporate center which must not be neglected is to provide potentially shared services where there are opportunities to realize economies of scale or scope, which brings us to IT and payroll systems, training programs, etc.

SECOND CASE STUDY:
LARGE INDUSTRIAL FIRM

Rethinking the corporate center to accelerate globalization.

A large industrial firm established a globalization strategy involving acquisitions of steel industry players in North America, Asia and Eastern Europe.

The CEO launched thinking on the opportunity to transform the management philosophy of the firm and the structure of its corporate center in order to integrate potential newcomers successfully, considering that the latter appeared to have characteristics dissimilar to the firm’s core businesses, in terms of technological and managerial maturity and sector of activity (often of lower added value).

A deeper analysis of the main stakes by top executives showed that purely industry-based or regional organizational models were not capable of surmounting these challenges. Differentiated intermediary solutions were found to establish a new role for the corporate center, depending on the importance of the new acquisitions, to be implemented as the newcomers arrived, and then adapted as their performance improved. In short, relatively loose governance was applied initially to the newcomers and tightened over time to become much more integrative as the performance of these businesses rose to the standards of their more mature counterparts.
A VARIED BUT FINITE RANGE OF CHOICE

While thinking about the future role of the corporate center, CEOs have a wide range of options, but must not forget that they may be subject to “major invariables.” Indeed, the company’s sector of activity is governed by specific rationales which naturally drive certain choices. For example, the Corporate Center of automotive companies are traditionally very intrusive, with heavy operational supervision and expertise for reasons specific to this capital-intensive industry, constrained by the need for close control over the launching of new models.

Diversified high-tech companies (GE, EADS) on the other hand, generally find it easier to don the role of strategic architect, leaving more autonomy to the divisions. The culture of a successful company must be respected, and may limit, for example, the scope of changes concerning the level of autonomy of local managers. In addition, economic conditions or a specific moment in the development of the company (e.g. a wave of international acquisitions) may have a notable impact on the decision of how to position the corporate center. Finally, the personality of the CEO sometimes has a decisive influence on the vision of the role of the Corporate Center.

POTENTIAL ROLES FOR THE CORPORATE CENTER

<table>
<thead>
<tr>
<th>PHILOSOPHY</th>
<th>FINANCIAL HOLDING</th>
<th>STRATEGIC ARCHITECT</th>
<th>INTEGRATOR/ CONTROLLER CORPORATE CENTER</th>
<th>OPERATIONAL CORPORATE CENTER</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Who are we?</strong></td>
<td>• Where the value is created</td>
<td>• Creates value through individual companies close to their customers</td>
<td>• Creates value through individual companies close to their customers</td>
<td>• Creates value through individual companies by relying on Corporate Center expertise for key decisions</td>
</tr>
<tr>
<td></td>
<td>• Role of HQ</td>
<td>• Creates and requires compliance with a decentralized management model</td>
<td>• Contributes value by linking business units</td>
<td>• Contributes expertise to facilitate decisions</td>
</tr>
<tr>
<td></td>
<td>• Is an investment company</td>
<td>• Is the strategic leader to a set of business units</td>
<td>• Is the strategic leader and advisor to a set of business units</td>
<td>• Is the strategic leader and advisor to a set of business units</td>
</tr>
</tbody>
</table>

**CHARACTERISTICS**

- Expected performance
- Delegation
- Planning and supervisory principles

**FINANCIAL HOLDING**

- Corporate Center sets financial targets for the business units, which are then accountable for their performance
- Large delegation
- The business units commit to multi-year strategic plans; so long as targets are attained, no systematic annual review

**STRATEGIC ARCHITECT**

- Corporate Center sets financial, operational and qualitative objectives. The business units are accountable for their performance
- Large delegation capped by thresholds to limit the corresponding risks
- The business units commit to multi-year strategic plans; Corporate Center ensures strategic consistency, cross-BU links and holds annual reviews

**INTEGRATOR/ CONTROLLER CORPORATE CENTER**

- Corporate Center and the business units share responsibility for attaining a wide range of financial and operational objectives
- Moderate delegation
- Corporate Center is highly involved in frequent review and in realizing strategic and operational plans as well as in the budget of the BUs

**OPERATIONAL CORPORATE CENTER**

- Corporate Center is responsible for financial and operational performance
- Limited strategic delegation and units

**MAIN HQ FUNCTIONS**

- Finance
- Finance/Strategic planning
- Finance/Strategic planning
- All functions

“The culture of a successful company must be respected, and may limit, for example, the scope of changes concerning the level of autonomy of local managers.”
3. HOW TO ALLOCATE ROLES BETWEEN THE CORPORATE CENTER AND THE SUBORDINATE UNITS OF THE COMPANY?

APPREHEND THE STRATEGIC STAKES

Organizing the allocation of responsibilities between headquarters and the various units of a company may raise a crucial question: What is the best size for the organization? Should the accent be placed on the geographical dimension, the business dimension, or both?

Our experience shows that an analysis of key success factors and strategic is extremely helpful in making the right decision. For instance, the table below was used for an industrial concern that was conducting numerous acquisitions and wondered how to adapt the corporate center most effectively in this context.

<table>
<thead>
<tr>
<th>STRATEGIC FACTORS</th>
<th>IN FAVOR OF A STRONG GEOGRAPHICAL DIMENSION</th>
<th>IN FAVOR OF A STRONG BUSINESS DIMENSION</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEVEL OF GLOBAL DEVELOPMENT</td>
<td>• New foreign geography</td>
<td>• Well-known geography</td>
</tr>
<tr>
<td></td>
<td>• Poor in local assets and resources</td>
<td>• Rich in local assets and resources</td>
</tr>
<tr>
<td></td>
<td>• The geography plays a major role</td>
<td>• The geography is in charge of execution</td>
</tr>
<tr>
<td>LEVEL OF CROSS-BORDER COORDINATION</td>
<td>• Very low fixed costs (R&amp;D, capital, advertising)</td>
<td>• High fixed costs</td>
</tr>
<tr>
<td></td>
<td>• Heterogeneous mature markets and unique products</td>
<td>• Homogeneous markets and standard products</td>
</tr>
<tr>
<td></td>
<td>• Local customers, competitors and suppliers</td>
<td>• Global customers, competitors and suppliers</td>
</tr>
<tr>
<td></td>
<td>• Low transportability</td>
<td>• High transportability</td>
</tr>
<tr>
<td>INVOLVEMENT OF LOCAL AUTHORITIES</td>
<td>• Active and demanding government</td>
<td>• Passive government</td>
</tr>
<tr>
<td></td>
<td>• Strong unions</td>
<td>• Weak unions</td>
</tr>
<tr>
<td></td>
<td>• Strong local partners (shareholders)</td>
<td>• Fully-owned subsidiaries</td>
</tr>
<tr>
<td>DIVERSITY OF BUSINESS PORTFOLIO</td>
<td>• Diverse businesses, but with a unique or similar business rationale</td>
<td>• Diverse businesses, but with many different business rationales</td>
</tr>
</tbody>
</table>

If the result of this particular analysis clearly points in favor of a geographical organization, CEOs must keep in mind that this choice creates very specific management challenges. It is always difficult to apply general policies issued from the corporate center to business units (e.g. countries) with real management autonomy (e.g. P & L)! To surmount this challenge, an intermediary Corporate Center level, e.g. regional, could be created to consolidate local operational unit support functions or activities.

"It is always difficult to apply general policies issued from the corporate center to business units (e.g. countries) which have real management autonomy."
DIFFERENT ROLES OF REGIONAL LEADERSHIP

It would be possible to create a geographical organization run by a regional managing
director and including regional representatives for each business unit and main Corporate
Center function. Such an organization would be responsible for applying corporate
directives closer to the field than the corporate center could do. At the same time, this
strategy would provide the regions with scale economies on support functions.

As with the central corporate Corporate Center, we recently met with different types of
regional headquarters, whose roles are determined by:

- The role of the central HQ, as a starting point for thinking
- The type of desired support functions and activities: Corporate Center, business
  support, back office, front office, transactions and deliveries.

Within this framework, it is possible to distinguish four major roles for regional leadership:

### ALLOCATION OF RESPONSIBILITIES BETWEEN THE HEAD OF THE COMPANY AND THE REGIONAL AND LOCAL UNITS

<table>
<thead>
<tr>
<th>REGIONAL LEVEL</th>
<th>SUPERVISOR</th>
<th>&quot;INVESTMENT FUND&quot;</th>
<th>SERVICE PROVIDER</th>
<th>REGIONAL SUB-GROUP</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORPORATE LEVEL</td>
<td>Full Strategic Architect</td>
<td>Corporate Strategic Architect</td>
<td>Full Strategic Architect</td>
<td>Corporate Strategic Architect</td>
</tr>
<tr>
<td></td>
<td>Governance, leadership, supervision, compliance</td>
<td>Governance, leadership, supervision, compliance, capital</td>
<td>Governance, leadership, supervision, legal issues, capital</td>
<td>Governance, leadership, supervision, legal issues, capital</td>
</tr>
<tr>
<td></td>
<td>Provides corporate business support and shared services for the OU</td>
<td>Provides corporate business support and shared services for the OU</td>
<td>Provides corporate business support on strategic issues for the OU</td>
<td>Provides corporate business support on strategic issues</td>
</tr>
<tr>
<td>REGIONAL LEVEL</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Supervises risk, local operations</td>
<td>• Focuses on cash, capital allocations and strategic HR decisions</td>
<td>• Manages risk, supervises local operations</td>
<td>• Focuses on cash, capital allocations and strategic HR decisions</td>
</tr>
<tr>
<td></td>
<td>• Develops regional sales and/or business</td>
<td>• Regional governance, leadership, supervision, compliance</td>
<td>• Develops regional sales and/or business</td>
<td>• Regional governance, leadership, supervision, compliance</td>
</tr>
<tr>
<td></td>
<td>• Develops regional sales and/or business</td>
<td></td>
<td>• Shared regional services dedicated to the OU</td>
<td>• Shared regional services dedicated to the OU</td>
</tr>
<tr>
<td>OPERATIONAL UNITS (OU)</td>
<td>• Local sales</td>
<td>• Local sales</td>
<td>• Local sales</td>
<td>• Local sales</td>
</tr>
<tr>
<td></td>
<td>• Dedicated support function</td>
<td>• Dedicated support function</td>
<td>• Dedicated support function</td>
<td>• Dedicated support function</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Copyright © 2013 Oliver Wyman
Once responsibilities have been generally allocated, the next step, much like the central HQ process, is to define the detailed allocation of roles and responsibilities across the various geographical units (central HQ, regional HQ, countries or other basic geographical unit). The illustrative example below is drawn from the case of a world-class pharmaceutical company.

<table>
<thead>
<tr>
<th>STRATEGY</th>
<th>STRONG COUNTRY CORPORATE ROLE</th>
<th>STRONG REGIONAL ROLE (DECENTRALIZED CORPORATE)</th>
<th>STRONG CENTRALIZED CORPORATE ROLE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>National sales force</td>
<td>Strong regional deployment</td>
<td>Designed at global HQ</td>
</tr>
<tr>
<td>MARKET ACCESS</td>
<td>National authorities deliver</td>
<td>Support to economic studies and technological</td>
<td></td>
</tr>
<tr>
<td></td>
<td>the market</td>
<td>assessments</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Access authorization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MEDICAL</td>
<td>Local KOL management</td>
<td>Medical affairs, information, centralized</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>pharmacological vigilance for cost reasons</td>
<td></td>
</tr>
<tr>
<td>COMMUNICATION</td>
<td>Relations with local</td>
<td>Brands, pan-European level</td>
<td></td>
</tr>
<tr>
<td></td>
<td>authorities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SUPPLY CHAIN</td>
<td>Local order processing and</td>
<td>Production, forecasts on the European level</td>
<td>Global production strategy</td>
</tr>
<tr>
<td></td>
<td>forecasts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R &amp; D</td>
<td>Regional R&amp;D production</td>
<td>Regional R&amp;D production</td>
<td>Central R &amp; D (large budgets)</td>
</tr>
<tr>
<td>LEGAL</td>
<td>National issues</td>
<td>European support</td>
<td></td>
</tr>
<tr>
<td>IT</td>
<td>National systems &gt; regional</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>development &gt; global urbanization</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. STRUCTURE AND SIZE THE CORPORATE CENTER AND ITS SUPPORT FUNCTIONS

The process of structuring and sizing the corporate center and its support functions or shared services, must begin with an assessment of each desired service (strategic support, synergy generation, etc.) to build an organization that can effectively serve the company vision.

MANAGE THE BALANCE OF STRUCTURE, COST AND SIZE

To manage the optimal balance of structure, cost and size, it is best to start with an evaluation of the parameters which will create value. For this reason, the approach requires assessing all of the parameters relative to the strategic intention, focusing on the most suitable parameters, and defining the guiding principles for the target, which incidentally implies alignment with the answers to the following questions:

• What are the most relevant options for the role and positioning of the Corporate Center?
• What synergies are expected? How should each function contribute to the overall financial target?
• How to size the selected functions within the corporate center? What are the opportunities to leverage resources?
• What leadership and management model components or attributes will enable the transformation?

VALUE ANALYSIS FRAMEWORK

1. Role and position of the corporate center
2. Expected synergies
3. Allocation of roles and responsibilities within the company
4. Performance target by function (cost, quality)
5. Leverage of shared resources
6. Culture and management model
5. SHARED SERVICE MODELS ARE NOW THE NORM FOR SUPPORT FUNCTIONS

CEOs will be increasingly confronted in the future with the need to propose strategic models to transform and adapt their support functions (finance, human resources, purchasing, IT).

SUPPORT FUNCTIONS HAVE ALREADY ADOPTED NORMALIZED MODELS

A decade ago, support functions began to adopt more sophisticated models combining shared service centers, centers of expertise, and specific customer interfaces based on face-to-face contact (“business partners”) or remote interactions through various channels (“service centers”). These models have now become the global support function standard.

These tools were often initially designed to improve the efficiency of recurrent, labor-intensive administrative tasks. Low-cost labor countries positioned themselves successfully to attract these service platforms. Today, the situation has evolved; with the rapidly diminishing attractiveness of these countries and the emergence of game-changing opportunities to virtualize at least part of these tasks.

<table>
<thead>
<tr>
<th>STRATEGIC FACTORS</th>
<th>BUSINESS LINE FACTORS</th>
<th>ORGANIZATIONAL FACTORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Target performance</td>
<td>• Performance &amp; service management</td>
<td>• Organization model</td>
</tr>
<tr>
<td>• Governance model</td>
<td>• Scope of services</td>
<td>• Process standardization</td>
</tr>
<tr>
<td>• Operational responsibilities allocated across service operator, functional divisions and internal customers</td>
<td>• Sourcing model</td>
<td>• Automation</td>
</tr>
<tr>
<td>• What processes and key decision-making bodies?</td>
<td>• Automation</td>
<td>• Skills, culture, management model</td>
</tr>
<tr>
<td>• What cost, quality target?</td>
<td>• Skills, culture, management model</td>
<td></td>
</tr>
<tr>
<td>• What organizational model?</td>
<td>• Definition of an optimal target for each shared process</td>
<td></td>
</tr>
<tr>
<td>• Medium- to long-term vision provided by the company</td>
<td>• Clear differentiation of roles (transactional, expertise, global process management and metrics): starting point</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Initial process review of each dimension of the framework to assess the expected benefits, impacts and risks</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• External benchmarking and expert reviews are generally utilized to define the main change scenarios and review the corresponding economics (financial and non financial)</td>
<td></td>
</tr>
</tbody>
</table>

GLOBAL PERFORMANCE STANDARDS (external benchmarking)
AT STAKE: TO DESIGN, DEVELOP AND IMPLEMENT A NEW GENERATION MODEL WHICH TAKES ACCOUNT OF INTERNAL AND EXTERNAL STRATEGIC TRENDS

NEW IMPERATIVES APPEAR TO CREATE THE NEED TO RETHINK SUPPORT FUNCTIONS

Given their internal strategies, today’s business organizations must be agile to absorb major fluctuations in scope and volume profitably without causing service discontinuity. Some organizations may want to overhaul their existing assets to rise higher in the value chain for their internal customers while respecting their specific cost/quality balance.

Beyond the borders of the organization, these functions are also driven to demonstrate their performance against increasingly demanding external benchmarks, further increasing the pressure to normalize.

In this context, the development of multifunctional global “Global Business Service” models is a fundamental trend which must be managed judiciously by a leadership team prepared to address this issue. This new way of considering support function organization offers expanded opportunities to create more value.

For existing organizations, this requires first defining the performance target, then designing an adapted model in which several drivers must be activated in concert:

• Practice and process harmonization
• Process automation
• Expansion to new services
• Regular performance metrics
• Full or partial outsourcing of some tasks/services
• Development of continuous improvement discipline.
6. DEFINE AND IMPLEMENT EFFECTIVE OPERATIONAL GOVERNANCE

What is operational governance? We dare propose the following definition: Operational governance is the “software” enabling the management structure to attain the objectives established by the shareholder. This software is composed of a specific set of rules, operating practices and responsibilities entrusted to well-identified individuals.

The objectives of operational governance are essentially:

1. Serve the mission and strategic objectives of the company
2. Clarify the responsibilities of the leaders, specifically with regard to cross-company matters
3. Ensure the quality, consistency, efficiency and rapidity of internal decision-making processes
4. Improve the efficiency of collective efforts at the corporate management level
5. Track the execution of decisions while respecting the potential decentralization of designated responsibilities

Although the type of operational governance depends closely on the role chosen for the corporate center by the CEO and the shareholders, the components of HQ remain the same, and vary only in intensity. There are a few clear prerequisites:

- An overall company organization generally based on predominant business rationales
- A clear and relevant empowerment architecture
- A limited number of well-defined key management processes which are understood and accepted by the key players. These concern strategic, operational and support function processes
- A limited number of decision-making bodies, supported by other bodies responsible for gathering and discussing relevant information
- A calendar showing essential individual and collective appointments for the entire management year
A corporate center transformation launched in line with the specific company context necessarily changes the parameters of the organization in a profound manner.

Too often, companies do not address these very real challenges with the required energy and resources.

Indeed, to construct the organization jointly with the leaders of tomorrow and overhaul the governance model, a dedicated human and financial project must be launched.

The transformation of headquarters is a complex task which can nonetheless be managed in a relatively simple manner using a powerful, robust and certified analysis to structure the requisite thinking. Pointed expertise in conducting high-level transformations with great human and strategic stakes is also required.
Oliver Wyman is a global leader in management consulting. With offices in 50+ cities across 25 countries, Oliver Wyman combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation. The firm’s 3,000 professionals help clients optimize their business, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is a wholly owned subsidiary of Marsh & McLennan Companies [NYSE: MMC], a global team of professional services companies offering clients advice and solutions in the areas of risk, strategy and human capital. With over 53,000 employees worldwide and annual revenue exceeding $11 BN, Marsh & McLennan Companies is also the parent company of Marsh, a global leader in insurance broking and risk management; Guy Carpenter, a global leader in providing risk and reinsurance intermediary services; and Mercer, a global leader in talent, health, retirement and investment consulting.