

CORPORATE HEADQUARTERS

Study 2012

Developing value adding capabilities to overcome the parenting advantage paradox



Report of the Corporate Headquarters Study 2012

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Modern corporate headquarters need to focus on value adding capabilities to overcome the parenting advantage paradox

Corporate headquarters **need to show all stakeholders that they create value by "parenting"** the businesses that they own and thus justify their existence

Headquarters must permanently **minimize costs** but **add more value** at the same time, leaving the center with what we call the **parenting advantage paradox**

Increasing complexity in the business environment adds new challenges for the center and requires additional approaches to value creation

Our study reveals **a new view on headquarters: Five capabilities that truly add value** beyond the traditional cost and efficiency focus

An action plan with approaches and good practices shows how modern corporate headquarters build value adding capabilities and solve the parenting advantage paradox

HQ costs represent between 2% and 7% of sales – Although shared services and outsourcing are important cost levers, HQs are not expected to shift to other geographies

The cost of corporate headquarters is a significant burden. The **average cost of headquarters ranges between 2% and almost 7% of sales** depending on management concept and industry cluster

50% of companies exploit economies of scale using shared services, with IT being the most frequent shared service center function. Most shared service centers are still located in Europe (80%). Offshoring to Asia/Pacific expected to speed up – from 4% today to 10% in 2020

Outsourcing remains on 2010 levels at approx. 30% – The IT function is most frequently outsourced by the study participants

HQ locations are not following the shift in sales markets and production footprint towards Asia – 80% even expect to step up their headquarters' capacity in Western Europe

Consequently, 60% of the participants think they **need to further internationalize their headquarters**. For most companies this means involving HQ in **international projects** and **transferring international employees** to HQ. Only 14% are planning to internationalize by relocating functions abroad

The need to have more international HQs shows that virtual collaboration is becoming more important – The role of HQ is changing and its value creation is considered in a new light

Almost all study participants will have **more virtual collaboration**. The objective is to **enhance collaboration across departments** and to ensure **proximity to the business**

Study participants are well aware of the **challenges** presented by more collaboration. The key problems mentioned are **poor communication** and **failure to align strategies and goals**

Today, HQ's primary role is that of Manager (40%) and Law Guardian (25%) – **55% of study participants expect their HQ to play a stronger Business Partner role** in the future. This overall shift sheds new light **on the way HQ creates value**

Our study reflects the study design of previous years and further investigates organizational trends and capabilities of modern corporate headquarters

Corporate headquarters study, 1999-2012



BACKUP

In our study on corporate headquarters, we highlight the concept of value adding capabilities and ways of developing them

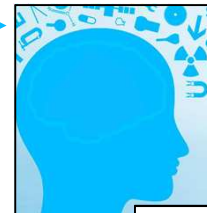
Study overview: corporate headquarters

Questionnaire focused on role and value contribution of corporate HQ

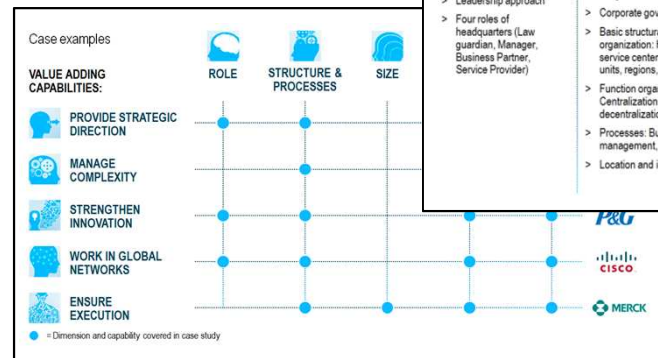
Basic information, incl. location of production, sales & support functions today and 2020 (center of gravity)
Quantitative part: <ul style="list-style-type: none"> > FTE in CHQ and SSC per function > Degree of centralization per function > Degree of outsourcing per function > Costs of CHQ (and SSC) functions
Qualitative part: <ul style="list-style-type: none"> > Role of CHQ (e.g. major roles today and 2020, approaches to add value) > Internationalization of CHQ (e.g. perceived necessity for internationalization) > Project and process orientation (e.g. methods to lead decentralized units; major challenges in leading them)
➡ 86 participants

Results include specific approaches and good practice examples for modern headquarters

CONCEPT OF VALUE ADDING CAPABILITIES



ACTION MAP

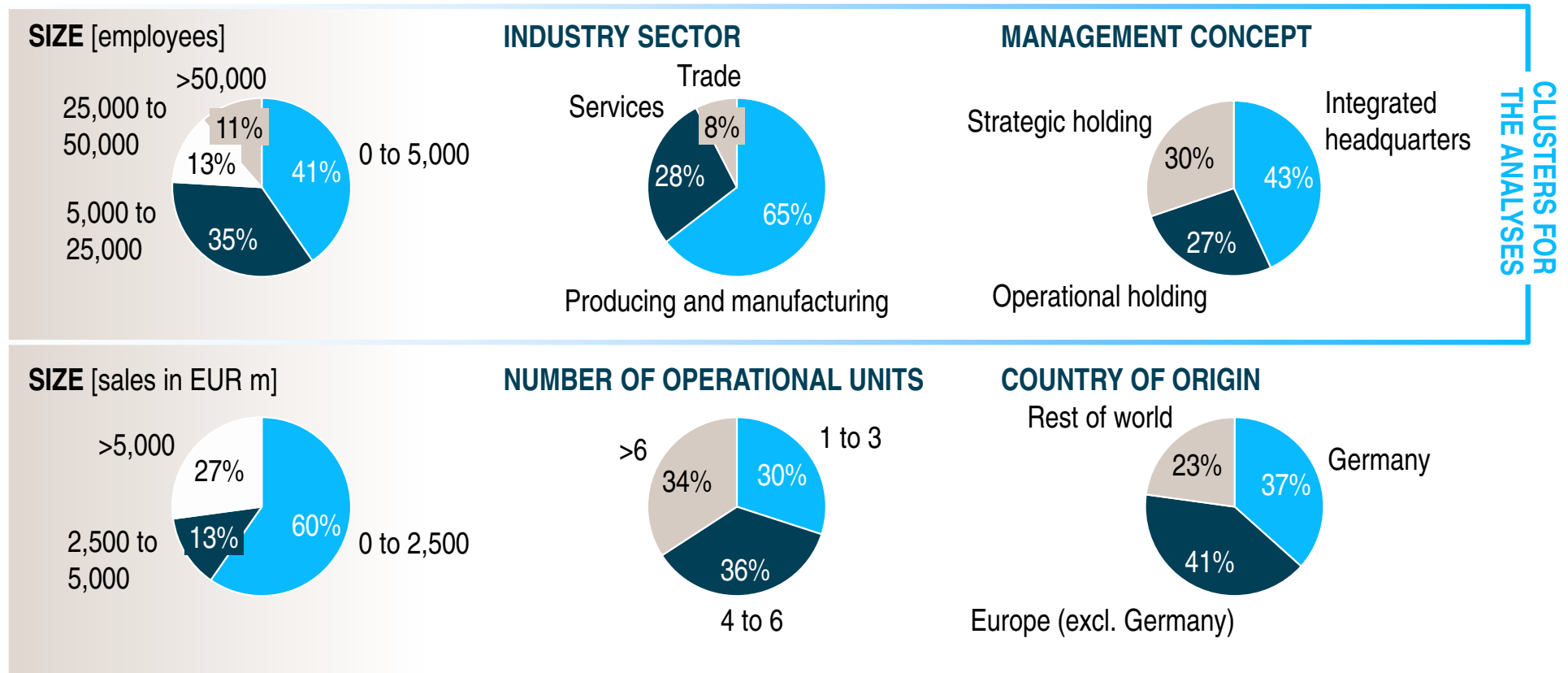


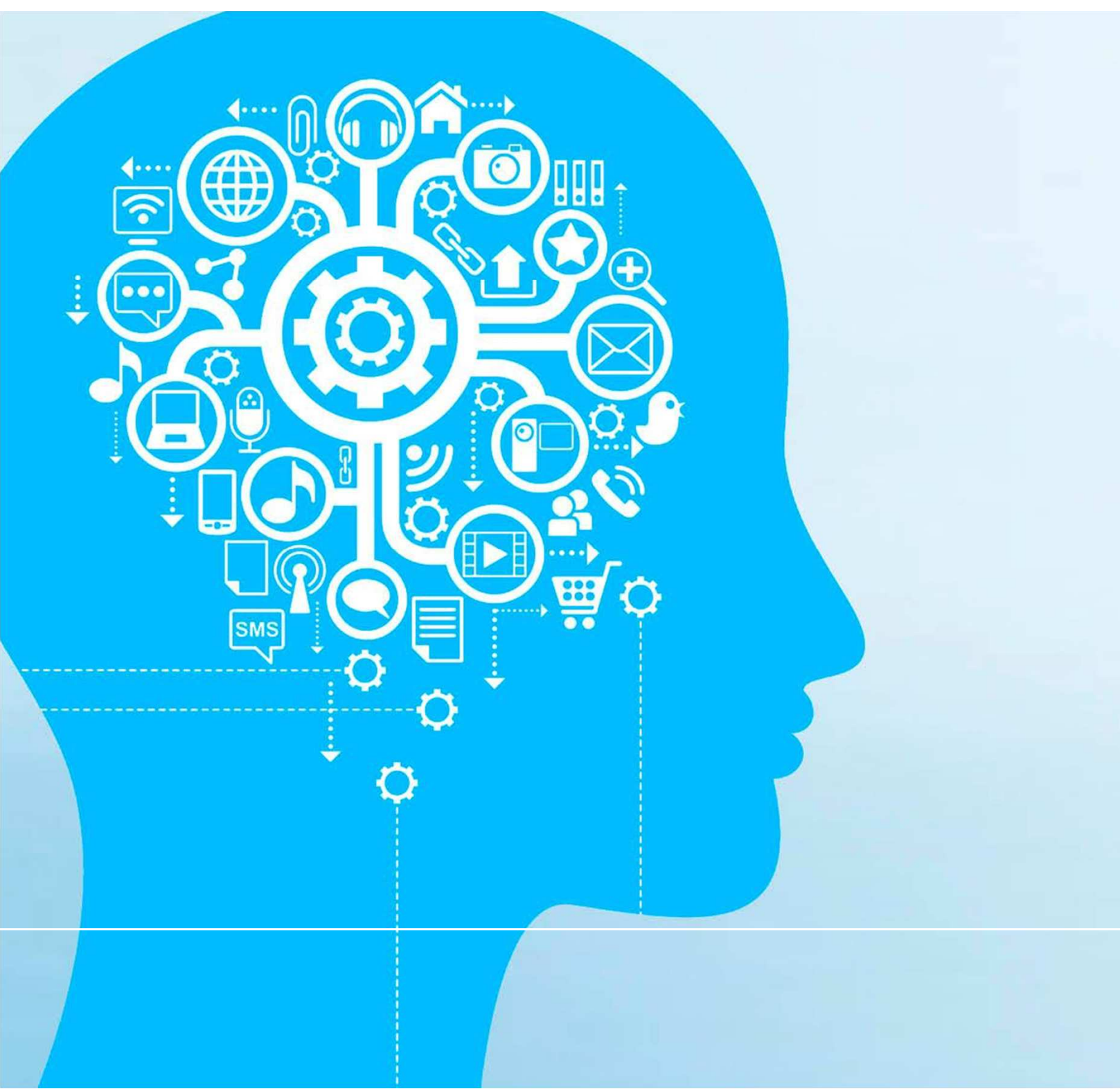
ROLE	STRUCTURE & PROCESSES	SIZE	SYSTEMS & TOOLS	PEOPLE
<ul style="list-style-type: none"> > Vision/Mission > Leadership approach > Four roles of headquarters (Law guardian, Manager, Business Partner, Service Provider) 	<ul style="list-style-type: none"> > Holding types vs. integrated headquarters > Corporate governance > Basic structural organization: HQ units, service center, business units, regions, ... > Function organization: Centralization vs. decentralization > Processes: Business, management, support > Location and infrastructure 	<ul style="list-style-type: none"> > Headcount/FTE > Costs of head-quarters/HQ functions 	<ul style="list-style-type: none"> > Management information/Control system > KPIs/Incentive schemes > IT infrastructure > Knowledge Management 	<ul style="list-style-type: none"> > Skills and competencies > Mindset

➡ **GOOD PRACTICE EXAMPLES**

86 companies of various size, industry and management concepts took part in the study

Study participants (n=86) by key attribute [%]





A.

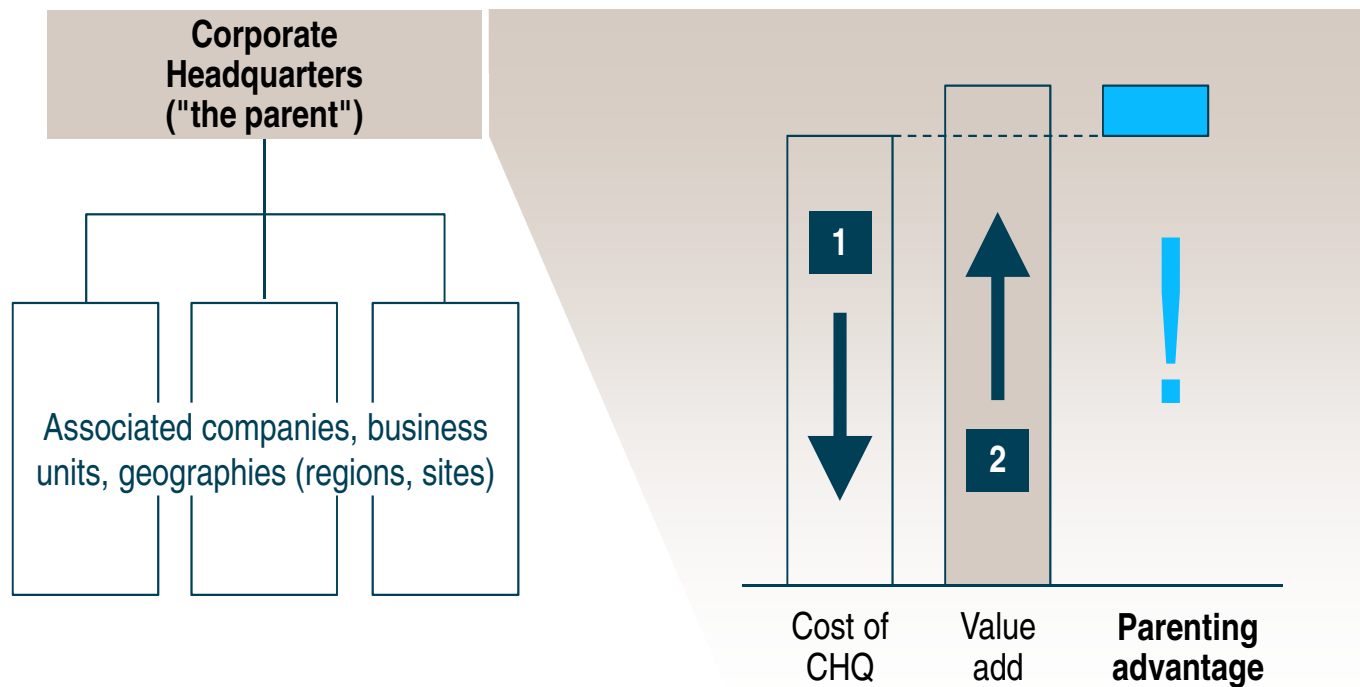
The parenting
advantage paradox –
Achieving more with
less

Roland Berger
Strategy Consultants



Corporate headquarters are facing a paradox: They are expected to achieve more with less

Parenting advantage paradox



- > The corporate headquarters in its "corporate parent" capacity must justify its existence
- > To do so, the parent should be able to demonstrate that its businesses perform better in aggregate than they would as a series of individual, stand-alone entities
- > In reality, HQs often lack the ability to show they add real value. They are consequently reduced to a cost burden that must meet contradictory expectations

- 1** COST CUTTING
- 2** INCREASING VALUE ADDING REQUIREMENTS



1 COST CUTTING

When companies look at their corporate headquarters, they rarely consider it more than simply a cost burden

Cost of corporate headquarters

PRESS RELEASES, 2010-12

Chile's Codelco cuts more than 100 HQ staff

J.C. Penney Co Inc cuts 1000 jobs at Headquarters

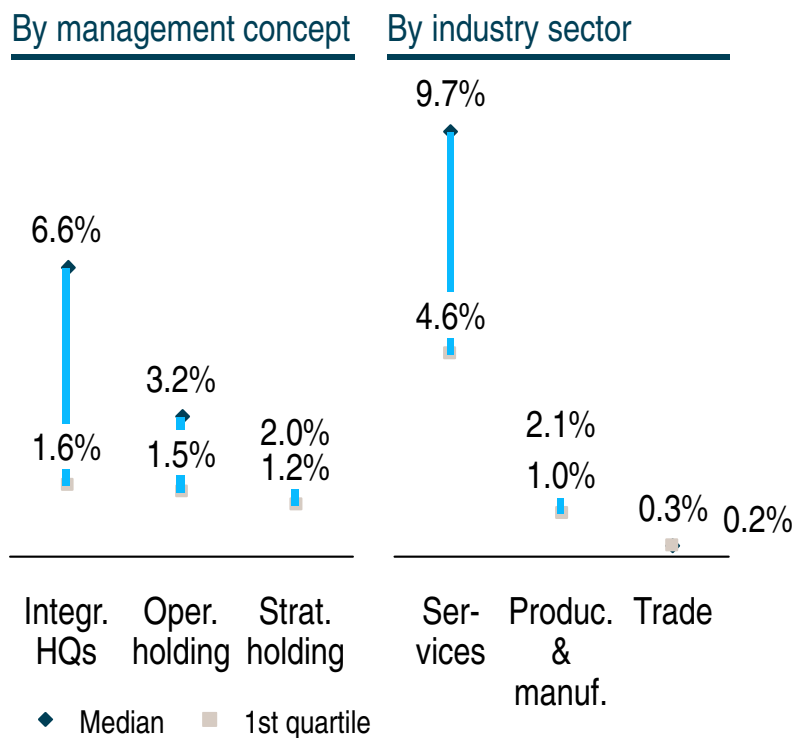
Siemens wants to dismantle bureaucracy and remove duplicate functions

Merck Pharma closes Swiss HQ, cuts 580 jobs

Telekom is planning to cut 1,300 further jobs at its Bonn headquarters by 2015

Around 700 jobs at Canadian retailer Loblaw could be cut as it plans to make its HQ "leaner" and "more efficient"

HQ COSTS, % OF SALES, 2005-12



- > Costs differ significantly by management concept and industry – a systematic benchmarking allows the cost base to be challenged
- > Very few companies publish HQ costs as % of sales in their annual reports (e.g. Adidas 7.3%, Telekom 3.1%)
- > Cost transparency is the basis for cost saving efforts and helps raise cost awareness
- > In addition to the tangible cost of the HQ itself, it can create a lot of additional admin for its businesses. In the worst case, it even causes real harm by setting the wrong strategic course, etc.

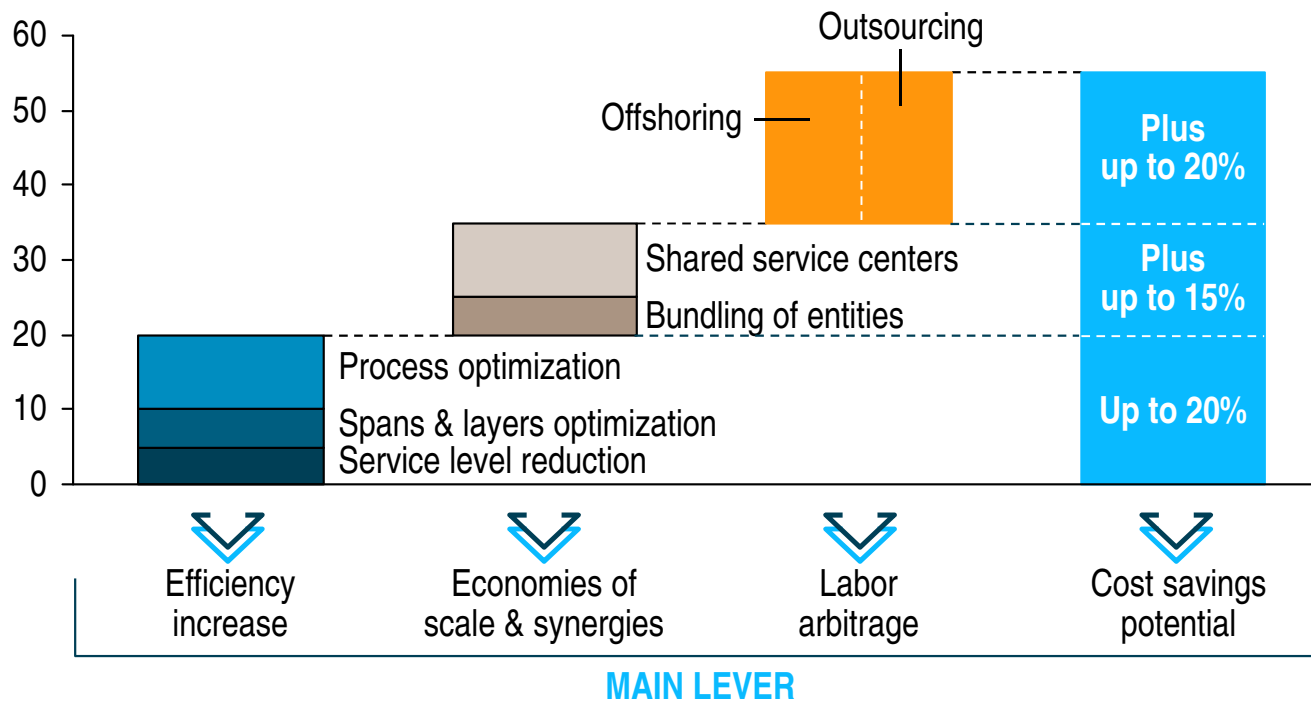


1 COST CUTTING

Companies are trying to cut overhead, and specifically HQ costs, in a number of ways

Typical levers and approaches to reducing overhead cost

Cumulative savings potential [%]



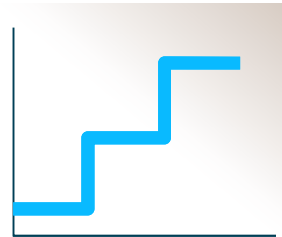
- > Overhead cutting efforts usually use three generic levers
 - Efficiency increase
 - Economies of scale and synergies
 - Labor arbitrage
- > In most cases, overhead cost cutting efforts build on each other – savings are therefore cumulative
- > To reduce the cost of the HQ, this logic was applied in two ways
 - Centralization to achieve savings through the headquarters (bundling, shared services)
 - Efficiency improvement and relocation to reduce the cost of the HQ (efficiency increase, labor arbitrage)

1 COST CUTTING – INCREASING EFFICIENCY

Possible process optimization approaches range from radical redesign to statistical quality management

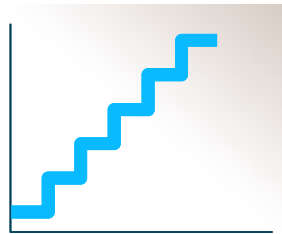
- > Process optimization helps to identify weak points and improvement potential in a company's workflows
- > Objectives of process optimization approaches:
 - Higher speed
 - Less waste
 - Fewer resources
 - Increased competitiveness
 - etc.

Process optimization – Common approaches



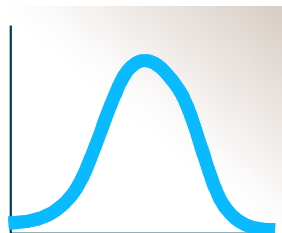
RADICAL PROCESS REDESIGN

- > Business Process Reengineering
- > Radical and rapid improvements through automation (electronic workflows)
- ➔ **Fundamental redesign of business processes**



CONTINUOUS IMPROVEMENT

- > Lean approach
- > Kaizen
- > TQM
- ➔ **Gradual improvement of existing processes**



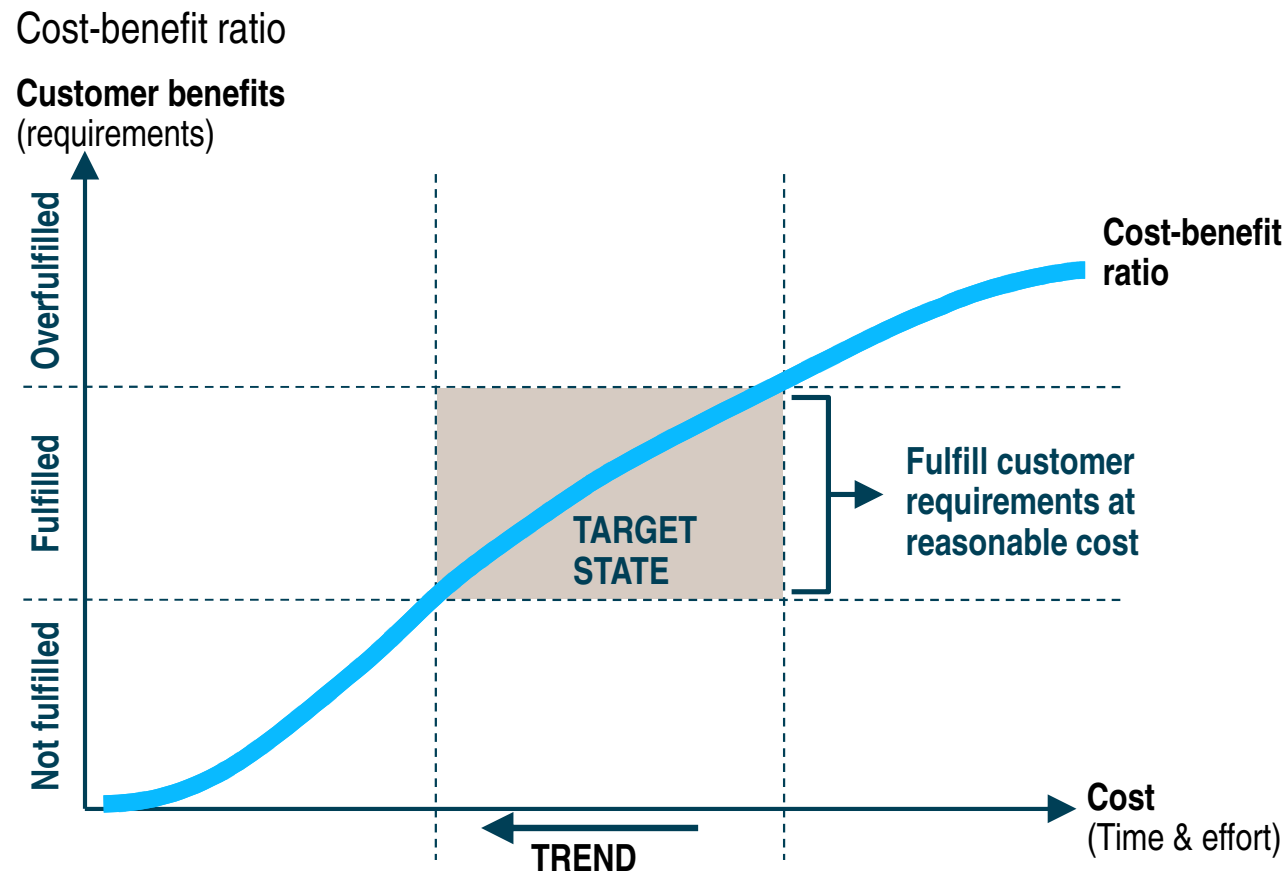
SIX SIGMA

- > Statistical quality management
- ➔ **Statistical optimization method**



1 COST CUTTING – INCREASING EFFICIENCY

The goal is to find the right balance between customer benefits and costs



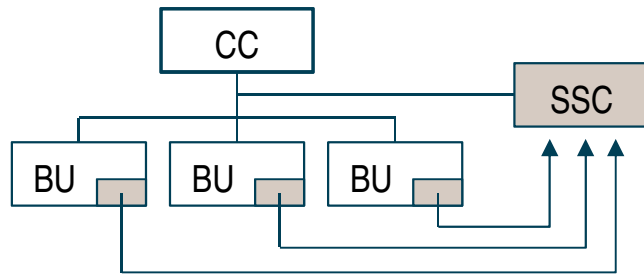
- > Higher quality helps better meet customer requirements (seamless delivery)
- > Reducing lead times is the most the common goal of process optimization
- > Cutting waste and duplication of work has a positive effect on total costs



1 COST CUTTING – ECONOMIES OF SCALE/SYNERGIES

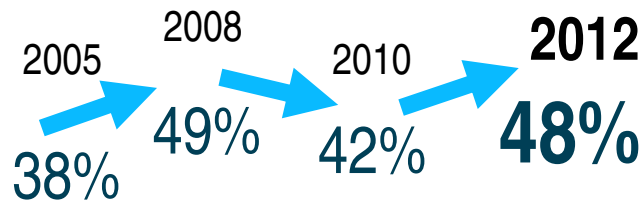
**50% of companies exploit economies of scale using shared services –
Most frequently for IT function**

**TREND IN
SHARED SERVICE CENTERS (SSC)**

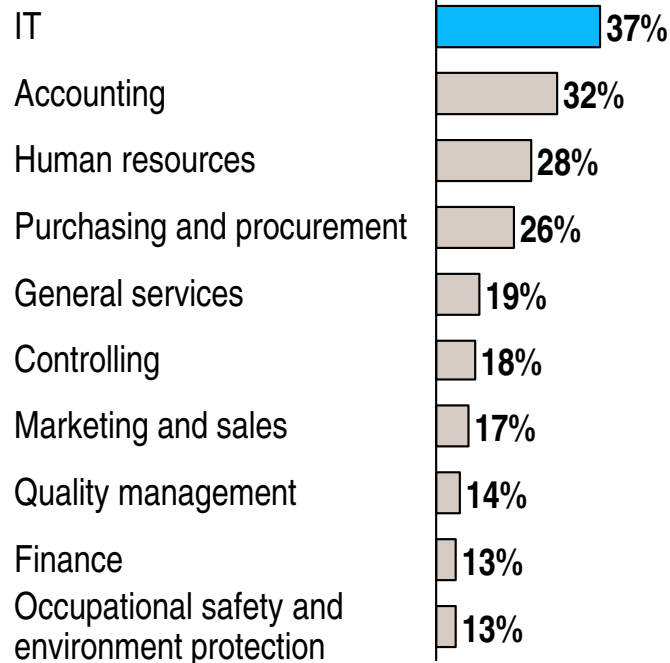


CENTRALIZATION/BUNDLING

Share of companies with shared service units



**TOP10
SHARED SERVICE FUNCTIONS**



- > Bundling support functions in shared services has become a standard way of cutting overhead cost
- > Shared service usage differs by function – IT, Accounting and Human resources represent the highest proportion of functions that are transferred to SSCs (albeit usually only to some extent)
- > In addition to exploiting economies of scale and synergies, SSCs are expected to deliver higher service process quality and standards



1 COST CUTTING – ECONOMIES OF SCALE/SYNERGIES

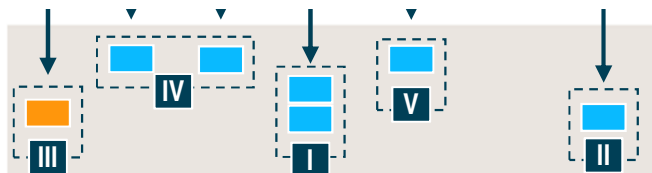
Global business services develop the shared service center idea into end-to-end processes

Shared service centers vs. global business services

SHARED SERVICE CENTER



Transfer of separate tasks into a shared service center



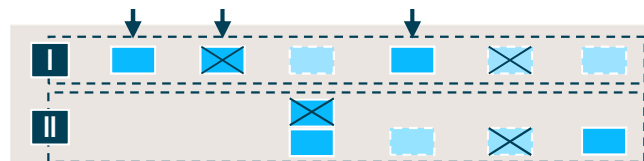
SHARED SERVICE CENTER

- | Criteria for transferring tasks: | Drivers of cost savings: |
|-------------------------------------|---|
| 1) High volume tasks | 1) Realization of economies of scale and synergies |
| 2) Tasks that could be standardized | 2) Reduction in labor cost (low cost sourcing, lower qualification level) |
| 3) Minimal local requirements | 3) Reduction of process complexity and less steps |

GLOBAL BUSINESS SERVICES




Spin-off of entire processes into the global business services



GLOBAL BUSINESS SERVICES

- | Criteria for spinning off tasks: | Driver of cost savings: |
|--|---|
| 1) Repetitive tasks | 1) Reduction of process complexity and less steps |
| 2) Tasks that could be standardized | 2) Realization of economies of scale and synergies |
| 3) Tasks where end-to-end process ownership can be established | 3) Reduction in labor cost (low cost sourcing, lower qualification level) |

- > The shared service center typically takes responsibility only for separate tasks or parts of processes that are high-volume and transaction-driven
- > Global business services take responsibility for entire processes (end-to-end service delivery)
- > In this context, a SSC takes ownership only for selected process elements. GBS take full process ownership. In the process, they can optimize entire workflows and eliminate complete process parts

 Eliminated process steps



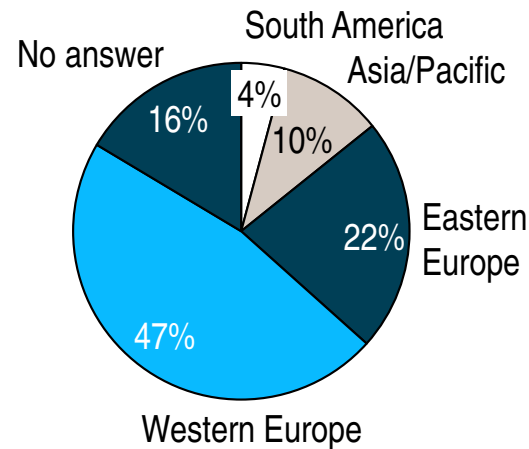
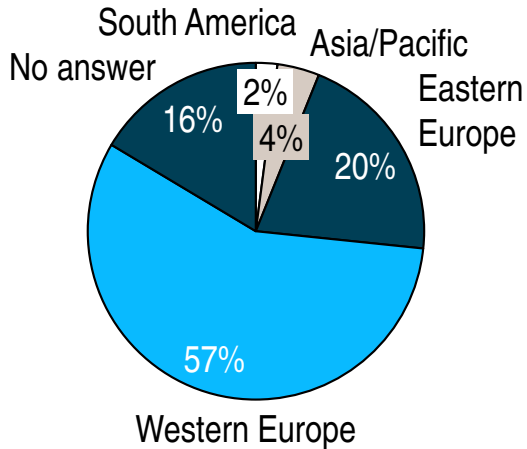
1 COST CUTTING – LABOR ARBITRAGE

Most shared service centers are still located in Europe – Offshoring to Asia/Pacific expected to speed up

Shared service centers by location

AS OF TODAY

FUTURE EXPECTATIONS



- > Shared service centers will be increasingly located outside of Europe to benefit from lower labor cost
- > Availability of increasingly skilled workforce especially in Asia has made this shift possible
- > The study participants did not mention Africa as an additional potential (low cost) location for SSCs

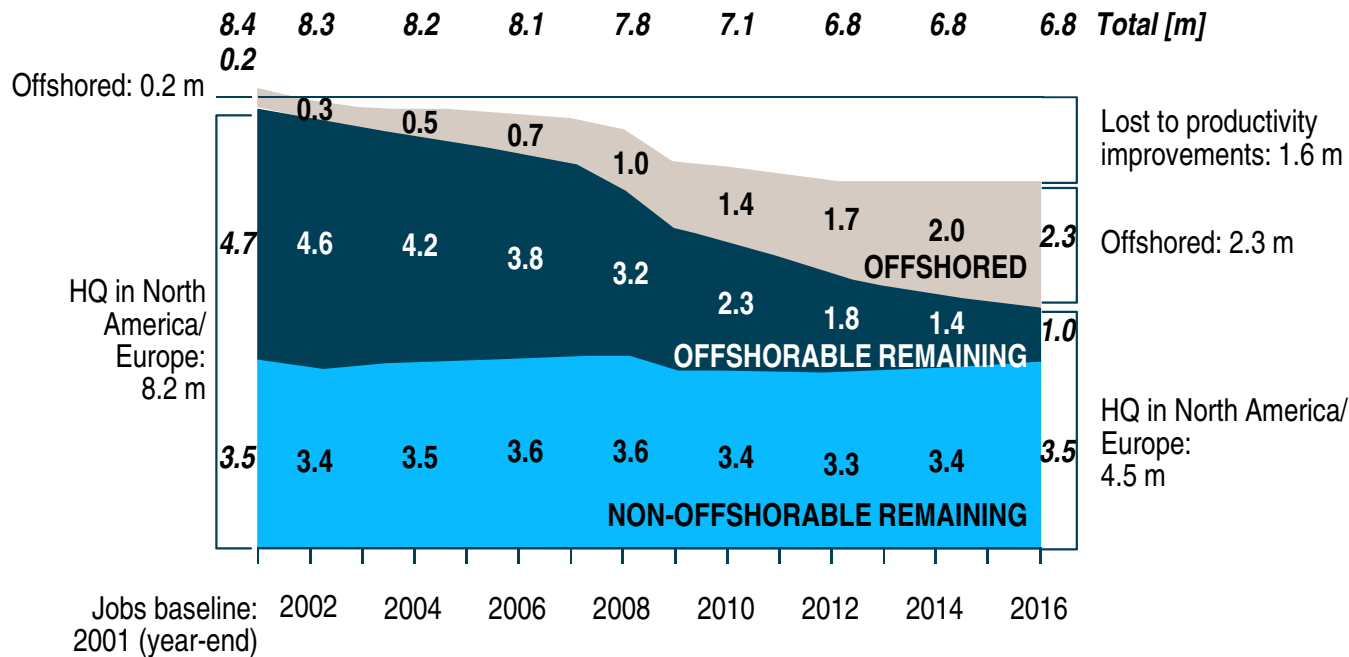


1 COST CUTTING – LABOR ARBITRAGE

Offshoring is expected to continue at the current speed at least until 2016, but is expected to slow down then

Offshoring 2001-2016f

FIG. Productivity, growth and offshorable business-service jobs [m], 2001-16¹⁾



- > Hackett Group study based on data for 4,700 companies with annual revenue of more than USD 1 bn headquartered in the U.S. and Europe
- > 750,000 jobs in IT, finance, and other business services will be moved to India and other low-cost geographies by 2016
- > However, levels of additional offshoring in these areas are expected to decline as only a limited number of offshorable jobs will be left
- > Non-offshorable jobs are those where offshoring provides low profitability gains and closeness to management is important, e.g. controlling, policy/strategy definition

1) Projected for 2012-16

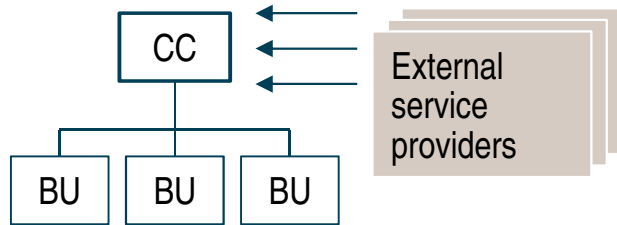


1 COST CUTTING – LABOR ARBITRAGE

Labor arbitrage through outsourcing remains on 2010 levels – IT function most frequently outsourced

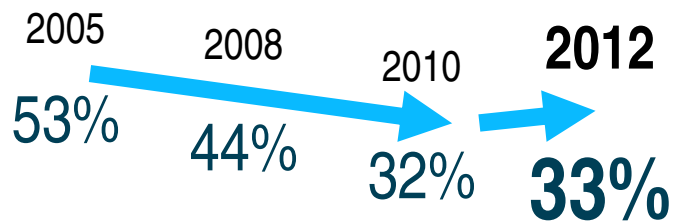
Prioritization/rationalization

TREND IN OUTSOURCING

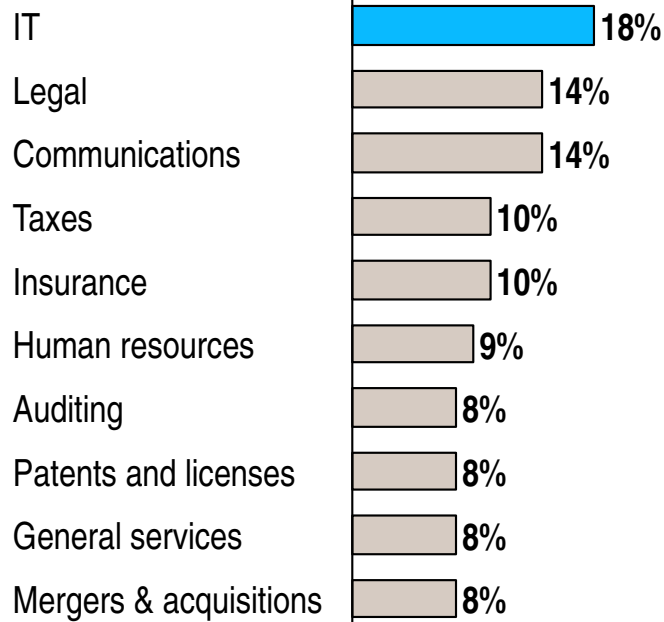


PRIORITIZATION/RATIONALIZATION

Share of companies that have outsourced corporate functions



TOP10 OUTSOURCED FUNCTIONS



- > The share of companies that have outsourced corporate functions has declined in the past five years
- > Today, 1/3 of the survey participants use outsourcing as a lever for reducing labor costs
- > IT, Legal and Communications represent the highest proportion of functions (partly or entirely) performed by external vendors

2 VALUE ADDING REQUIREMENTS

Increasingly complex business environments require higher value creation plus the skills and resources to achieve it

SHIFTING CENTERS OF GRAVITY:

20% expect the highest share of total sales and production to be generated outside Europe and North America – **80%** expect HQ not to follow the shift but step up their capacity in Western Europe



INTERNATIONALIZATION:

59% think their CHQ should become more international internally (more cross-border projects, more international employees at HQ)



VIRTUAL COLLABORATION:

53% expect a (very) strong increase in virtual and location independent working in the future



ROLE SHIFT:

55% see a stronger business partner role for their headquarters in the future



DECENTRALIZED FUNCTIONS:

69% see difficult or incomplete communication as major challenge in managing decentralized support functions – **51%** lack strategic alignment



VARIETY OF TASKS:

77% see that tasks of corporate headquarters are becoming more numerous/diverse

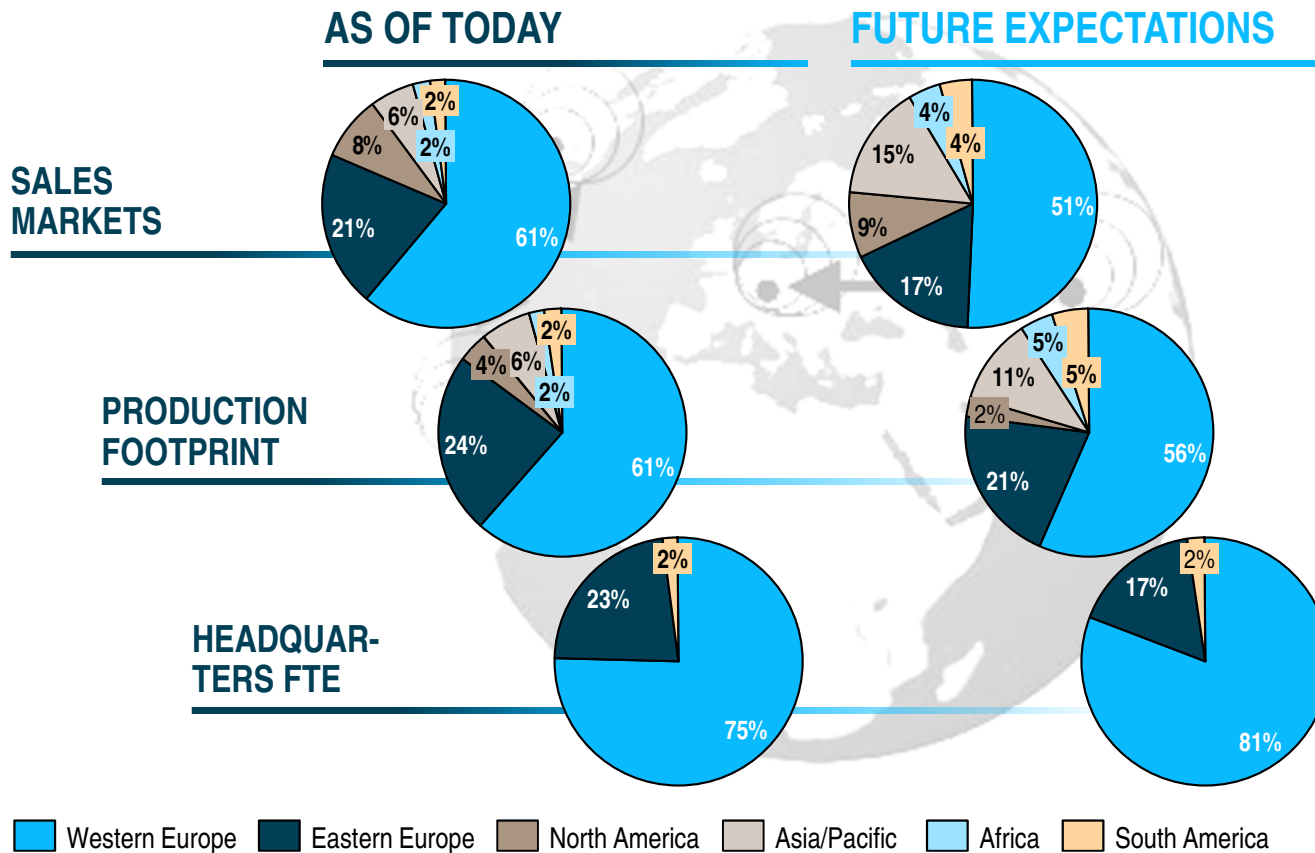




2 VALUE ADDING REQUIREMENTS – SHIFTING CENTERS OF GRAVITY

Centers of gravity are shifting in terms of sales markets and production footprint – Headquarters capacities are not following the shift

Shifting centers of gravity



- > Today, study participants generate more than 80% of their sales within Europe – for 2020, participants expect a significant shift of sales to Asia/Pacific, Africa and South America
- > A similar shift is expected for the production footprint
- > However, the center of gravity in terms of headquarters capacities is not following the shift – HQ FTE in Europe are even expected to grow
- > HQ must therefore increasingly deal with globalized sales and production footprints

■ Western Europe
 ■ Eastern Europe
 ■ North America
 ■ Asia/Pacific
 ■ Africa
 ■ South America

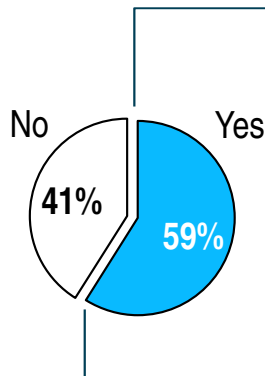


2 VALUE ADDING REQUIREMENTS – INTERNATIONALIZATION

Corporate headquarters need to become more international in order to respond to shifting centers of gravity

Need for internationalization

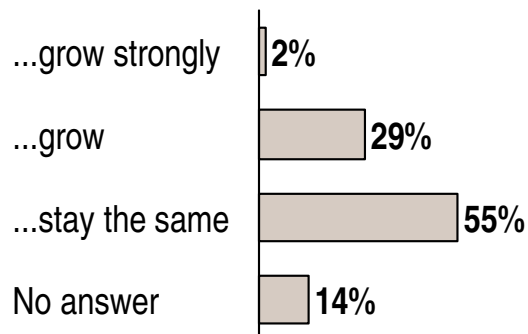
"Do you see a need to internationalize your corporate headquarters?"



"How do you foster internationalization?¹)"



"The number of nationalities represented in the management board and supervisory board will..."



1) Multiple answers

- > Centers of gravity change while headquarters remain in the same location – Therefore the need for internationalization within headquarters is growing
- > Participants also named "Improvement of language skills" as a way to foster internationalization and "Limited international footprint" as a reason for why they do not see need for internationalization
- > Internationalization is also reflected in management boards itself with an expected slight growth of represented nationalities

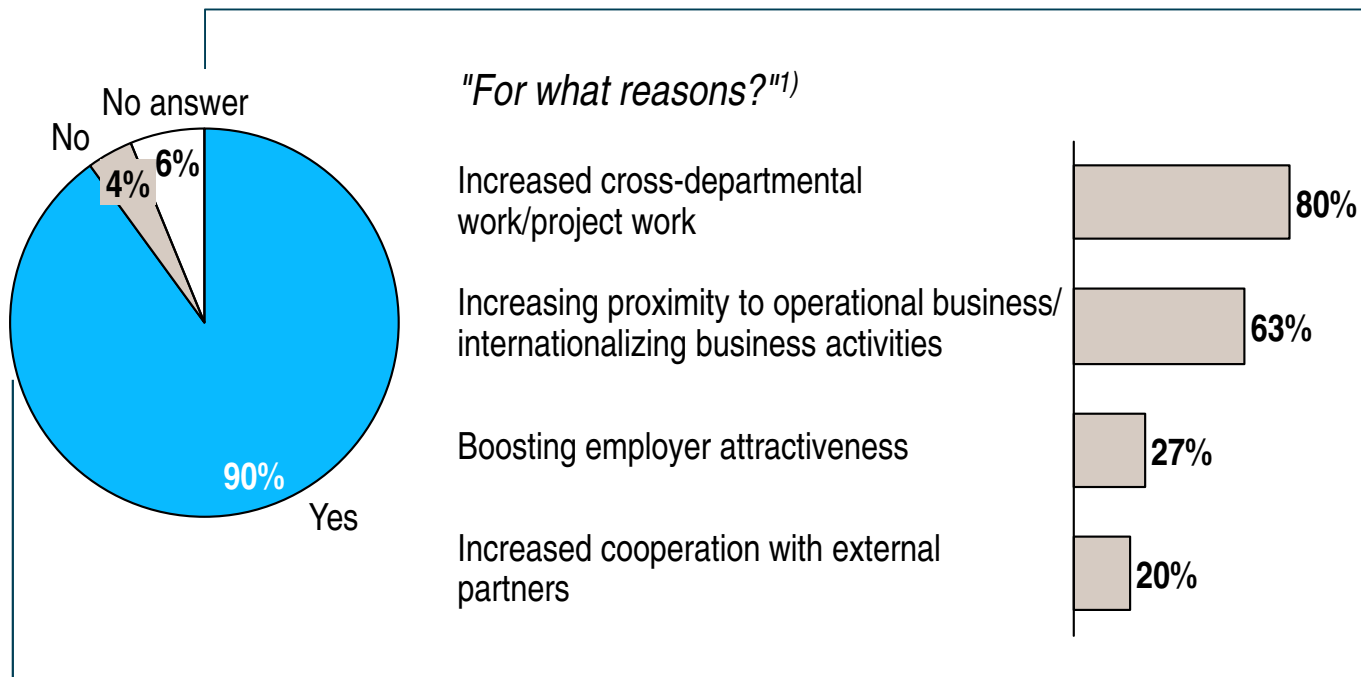


2 VALUE ADDING REQUIREMENTS – VIRTUAL COLLABORATION

In this context collaboration is critical – Virtual and location-independent working are significantly gaining in importance

Virtual collaboration

"Will virtual/location-independent working gain in importance?"



1) Multiple answers

- > Increased levels of global collaboration are strengthening demand for new innovative forms of communication
- > Participants also named the following reasons
 - Cost reduction
 - Efficiency improvement
 - Internationalization effort in progress
 - Improvement of communication

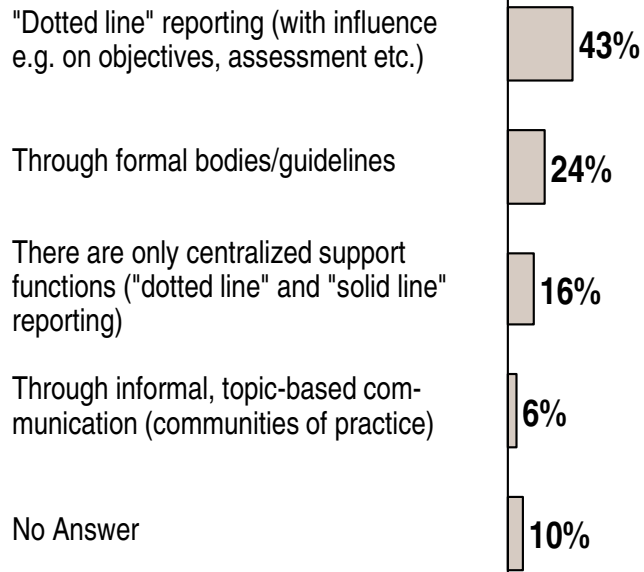


2 VALUE ADDING REQUIREMENTS – DECENTRALIZED FUNCTIONS

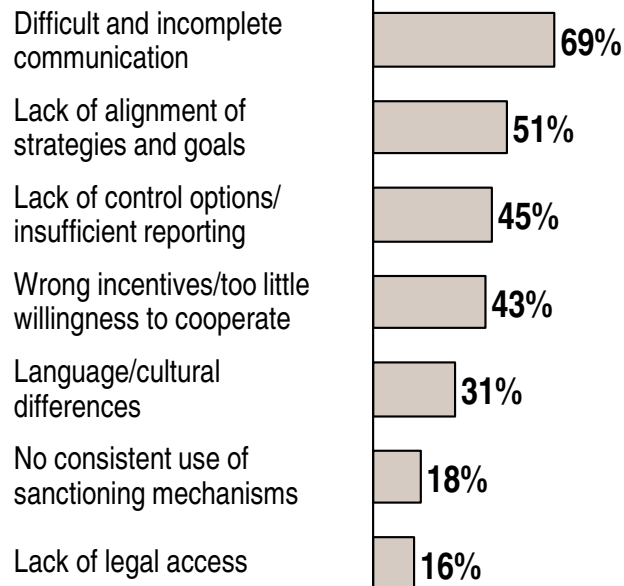
**Functional leadership dominates management of decentralized units –
Communication and strategic alignment are the main challenges**

Managing decentralized functions

"How do corporate headquarters generally carry out decentralized support functions in the regions/business units?"



"What challenges do you see in terms of managing decentralized support functions?"¹⁾



1) Multiple answers

- > Decentralized functions are most frequently connected to the organization via dotted lines
- > As a result of shifting centers of gravity, communication and strategic alignment are the main challenges in managing decentralized functions
- > Participants said that "Enforcing consistent standards" was another challenge

2 VALUE ADDING REQUIREMENTS – ROLE SHIFT

The manager role is the dominant role of corporate headquarters – Business partner role expected to become much more important



- MANAGER**
- > Management/monitoring
 - > Strategy/resources

- LAW GUARDIAN**
- > Policy making
 - > Legal framework

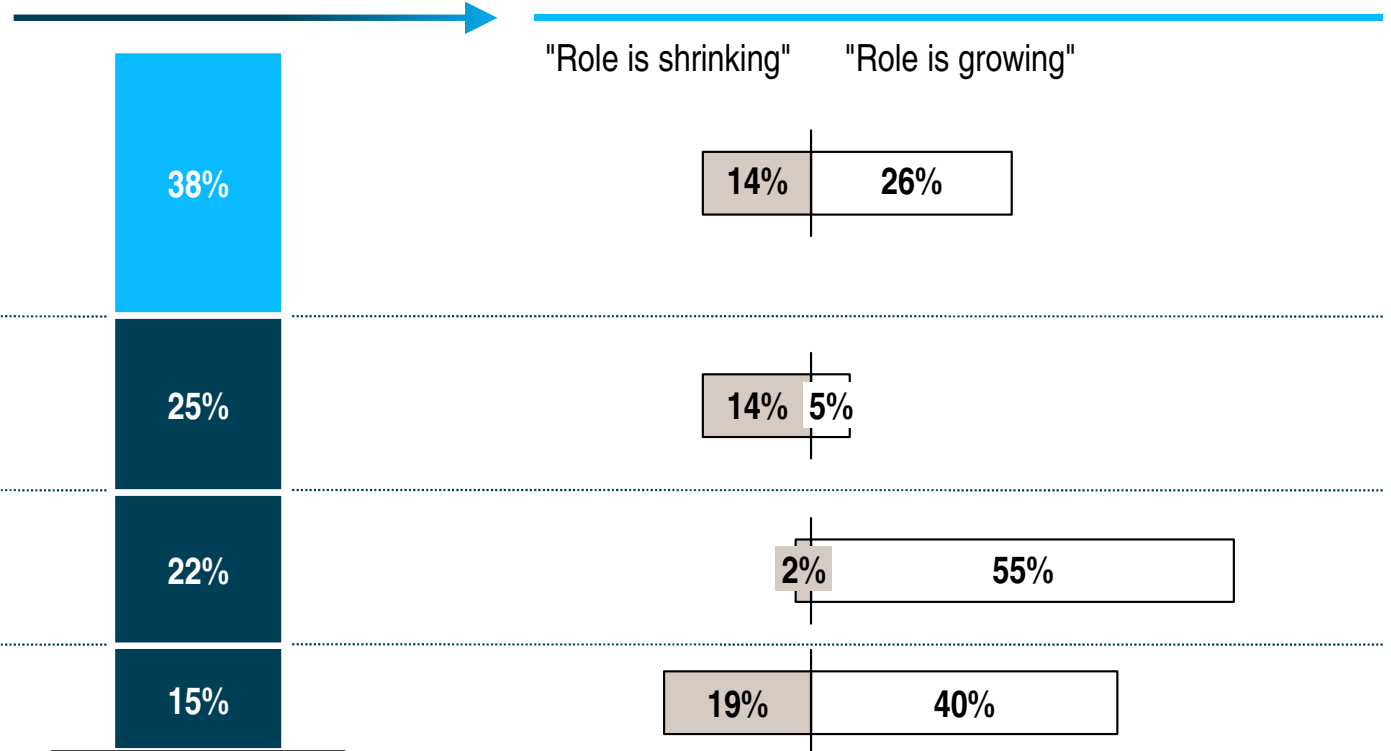
- BUSINESS PARTNER**
- > Advice/coordination
 - > Know-how/innovation

- SERVICE PROVIDER**
- > Services/SLAs
 - > Efficiency/cost focus

Role of corporate headquarters

AS OF TODAY

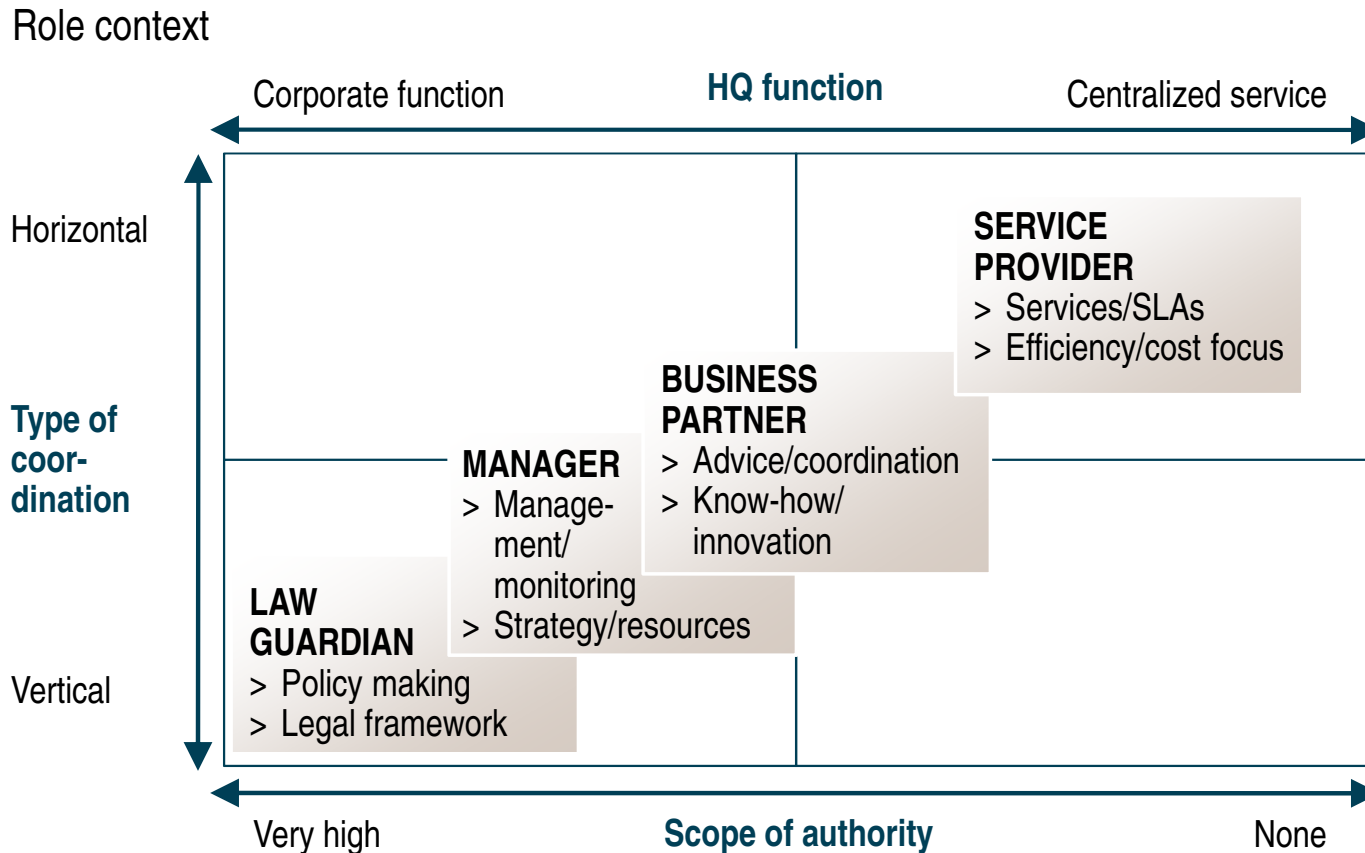
FUTURE EXPECTATIONS





2 VALUE ADDING REQUIREMENTS – ROLE SHIFT

The role of corporate headquarters is defined by type of coordination and scope of authority



- > Defined role of the corporate center and the corporate functions determine
 - Activity portfolio
 - Decision-making rights
 - Sizing



2 VALUE ADDING REQUIREMENTS – ROLE SHIFT

Each role can be distinguished by its responsibility and rights & duties

Role definition

	RESPONSIBILITY	MAXIMUM INTERVENTION (RIGHTS & DUTIES)	EXAMPLES	HQ UNIT – TYPE OF COORDINATION
LAW GUARDIAN	Policy setting and legal framework	Authority on legal issues or indirect reports; guideline competency	<ul style="list-style-type: none"> > Auditing > Balance sheets > Taxes 	Corporate function – vertical steering of the business units (guidelines, standards)
MANAGER	Steering and management by organizing the tasks of the units, issuing standards and allocating resources	Has direct or indirect reports; guideline competency	<ul style="list-style-type: none"> > Corporate planning > Controlling 	
BUSINESS PARTNER	Coordinating function of an advisory and value-creating nature by means of offering know-how, methods, skills and decision papers	Cooperation rights/duties	<ul style="list-style-type: none"> > Centralized purchasing coordination > Key account HR 	Corporate service – horizontal coordination of the business units (efficiency)
SERVICE PROVIDER	Offering services in standardized formats (often: duty to provide services); focus on costs/efficiency	Information rights/duties	<ul style="list-style-type: none"> > Payroll > IT support 	



2 VALUE ADDING REQUIREMENTS – VARIETY OF TASKS

In response to increasing complexity, the variety of tasks performed by headquarters will become more diverse

Complexity and tasks of corporate headquarters

COMPLEXITY ON THE RISE

> Shifting centers of gravity



> Internationalization



> Virtual collaboration



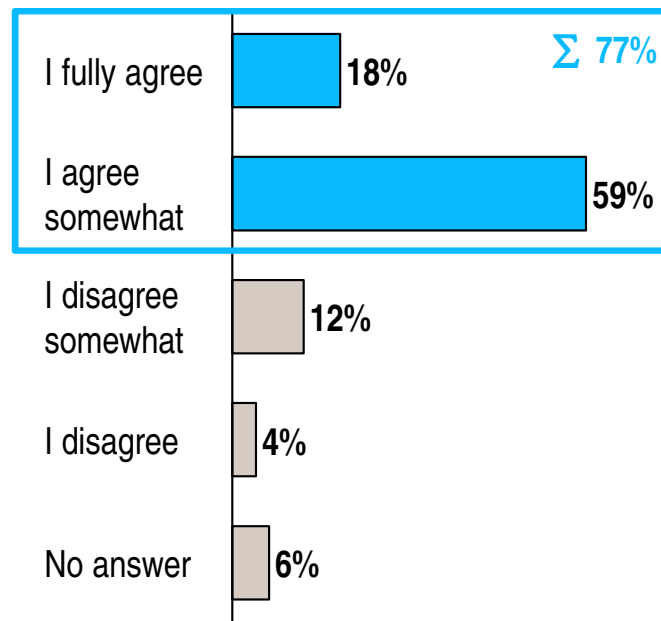
> Managing decentralized functions



> Shift in the role of corporate headquarters



"The various tasks of corporate headquarters are becoming more numerous/diverse"



- > Headquarters will respond to increasing complexity with a more diverse task portfolio according to more than 2/3 of the study participants
- > The expected higher variety and number of tasks performed by the HQ also reflects the assumed change in the HQ role toward a strong business partner role

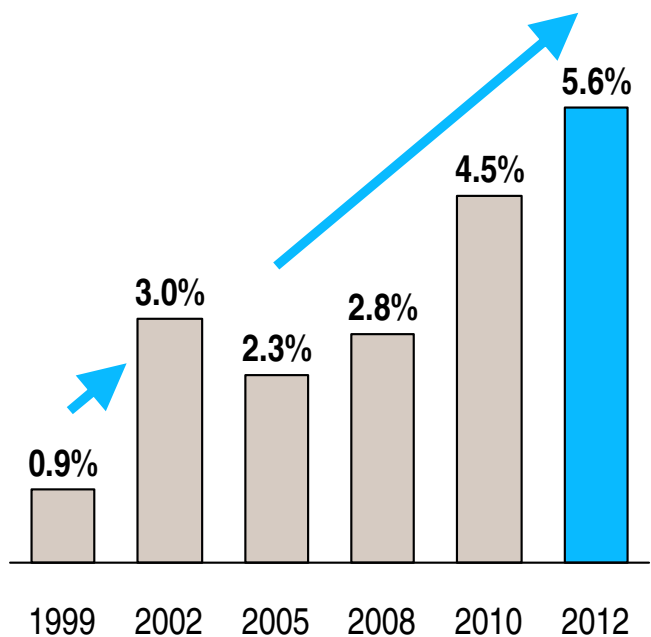


2 VALUE ADDING REQUIREMENTS – VARIETY OF TASKS

To cope with the challenges at hand, corporate headquarters are expected to grow and further centralize tasks and responsibilities

Trend in centralization/decentralization

Relative size of corporate headquarters [employee ratio¹⁾ in %]



Trend in centralization

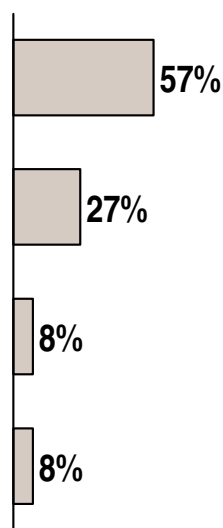
"What basic trend do you see regarding centralization/decentralization?"

Increasing centralization, i.e. the scope of tasks and responsibilities of corporate headquarters will increase

No major change

Increasing decentralization, i.e. the scope of tasks and responsibilities of corporate headquarters will decrease

No answer



- > Overall, the trend toward centralization of headquarters functions seems to continue
- > Employees working at corporate headquarters functions now represent an average of more than 5% of the entire workforce
- > Including capacity allocated to shared services units, centralized support functions account for more than 7% of total employees
- > Almost 2/3 of the study participants expect that the scope of tasks and responsibilities of their HQ will further grow

1) Avg. no. of FTEs in the corporate headquarters as a share of total FTEs in company; all companies; corporate center only, i.e. excl. shared services

Adding value beyond cost reduction is becoming more important – e.g. by providing expertise and best practices

Latest studies and publications on new concepts for corporate headquarters

Uni St. Gallen/
Harvard:
Housekeeping
at CHQ



"It is the responsibility of corporate managers to scrutinize whether the existing CHQ design creates value for the corporate portfolio or if it destroys value"

MIT Sloan: Are
CEOs getting
the best from
corporate
functions?



"In our survey, fewer than one in 10 function heads felt they had received sufficient guidance on how their function should contribute to the company's overall strategy."

Collis et. al:
Size and
composition of
CHQ in
multinat.
companies



"Multinational companies headquarters are more involved in 'obligatory' and value creating and control functions than in operational activities"

Key themes of Roland Berger studies

(Conflicting) roles of CHQ require clear organizational setup; Five design approaches help HQ to respond to increasing complexity



1 Provide **EXPERT KNOWLEDGE**



2 Manage **SERVICES**



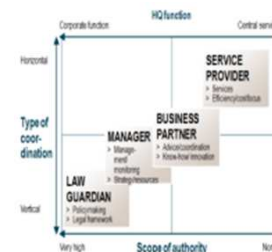
3 Form **STRONG ENTITIES**

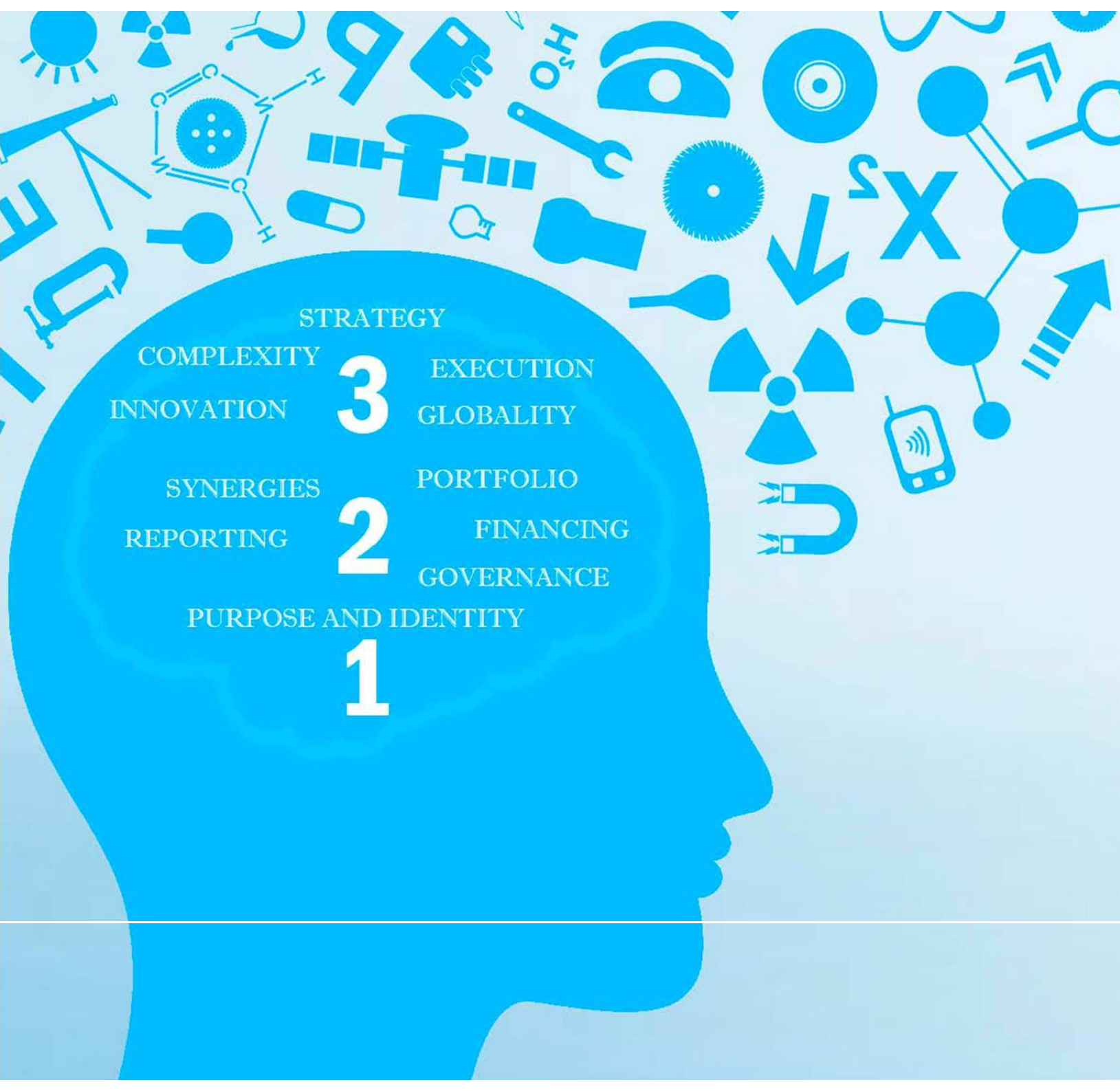


4 Work **IN NETWORKS**



5 Create a sense of **IDENTITY**





STRATEGY

COMPLEXITY	3	EXECUTION
INNOVATION		GLOBALITY
SYNERGIES	2	PORTFOLIO
REPORTING		FINANCING
PURPOSE AND IDENTITY	1	GOVERNANCE

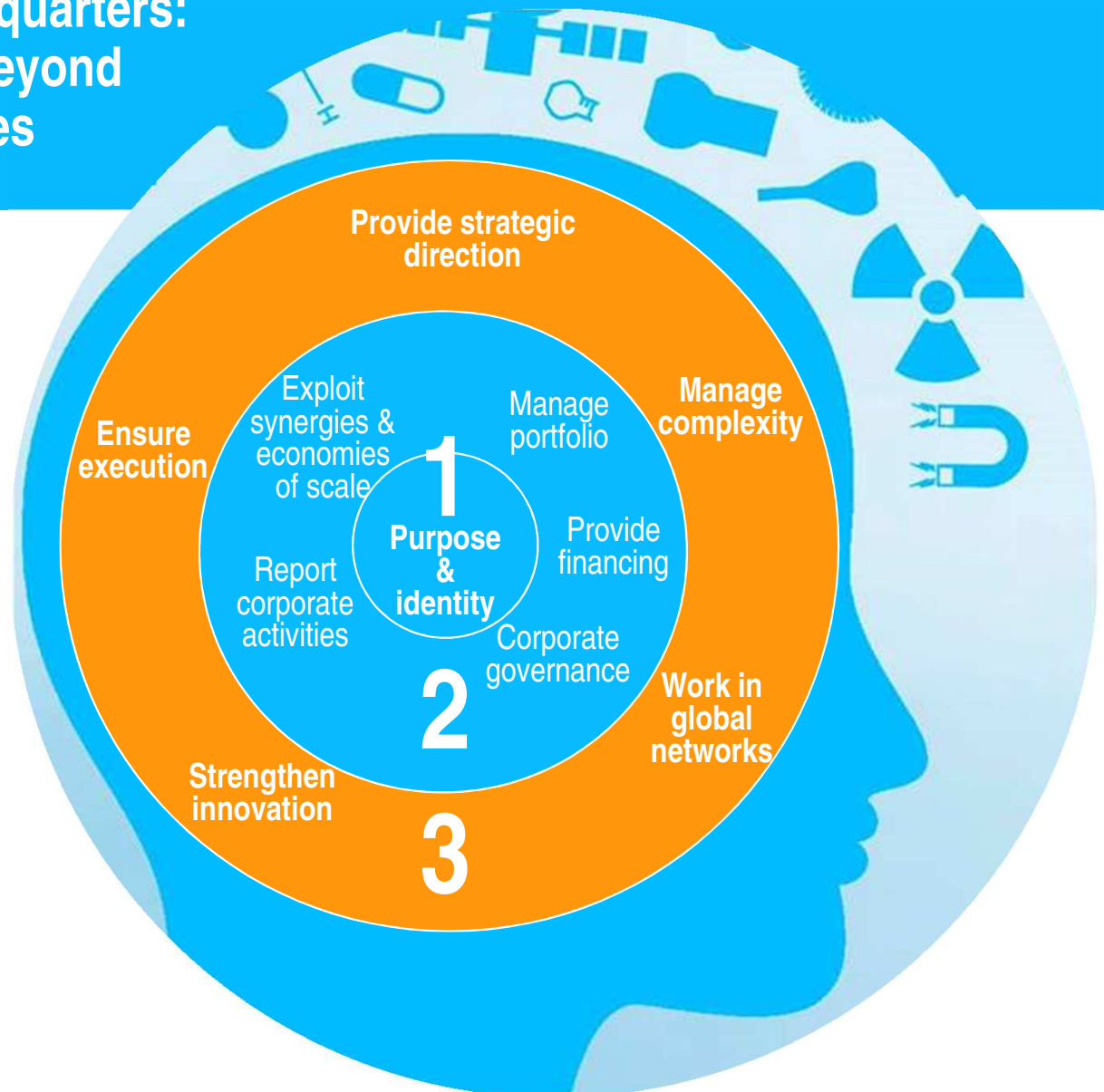
B.

Our solution –
Developing value
adding capabilities
to create parenting
advantage

A new view on corporate headquarters: Value adding capabilities go beyond traditional roles and capabilities

Capabilities of corporate headquarters

- 1 PURPOSE & IDENTITY**
"Raison d'être" and unique "DNA" of the company
- 2 FUNDAMENTAL CAPABILITIES**
Focus is on resource allocation and compliance with legal requirements
- 3 VALUE ADDING CAPABILITIES**
Partner to the business to enable high performance





PURPOSE AND IDENTITY

1

B.1

Purpose &
identity

Roland Berger
Strategy Consultants

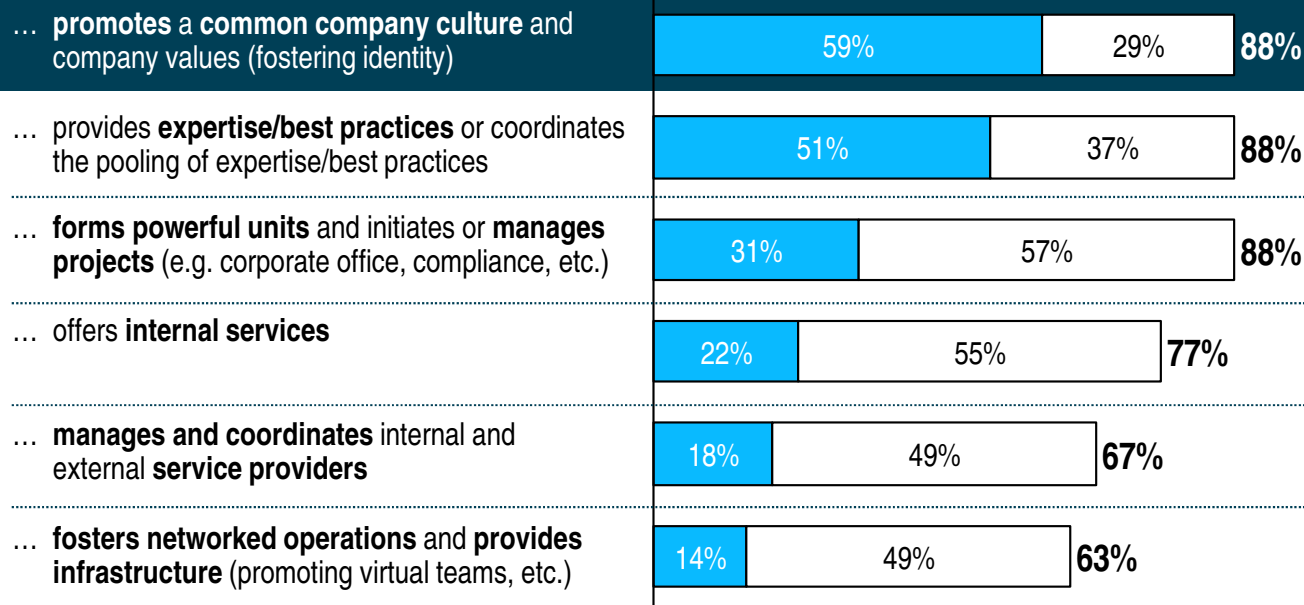


1 PURPOSE & IDENTITY

Corporate headquarters help shape corporate identity by promoting a common culture and shared values

Value created by corporate headquarters

"Corporate headquarters must create value. How does your corporate headquarters do this?"¹⁾



I fully agree I agree somewhat

1) Multiple answers

> Corporate headquarters significantly contribute to building an individual or collective sense of identity by establishing artifacts of a corporate culture based on a commonly shared set of values

> Main effects of a common corporate culture and shared values are typically

- Better identification with the company
- Common objectives
- Clear value proposition to all employees
- Greater employee retention
- Greater mobility between entities

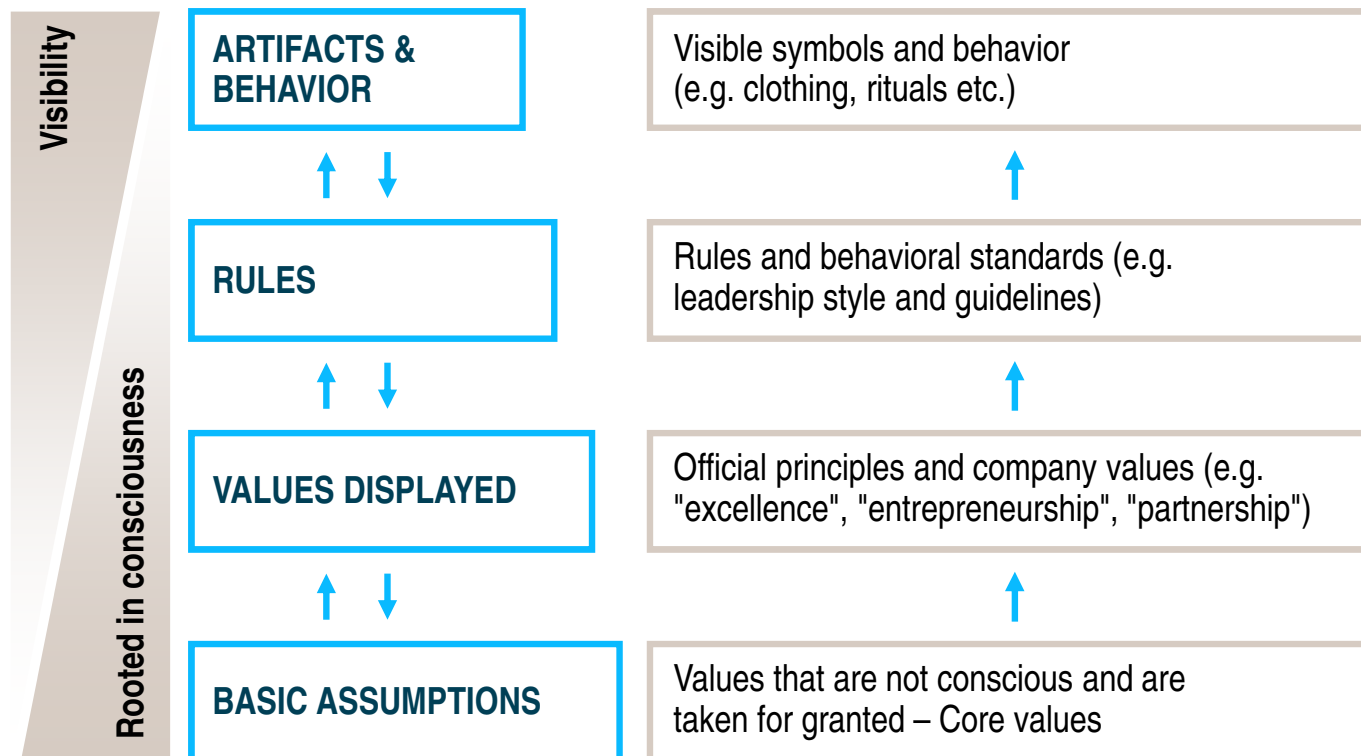
> Although culture cannot be shaped directly, several factors can be influenced by HQ in order to develop a favorable culture, e.g. HR instruments, leadership structure etc.



1 PURPOSE & IDENTITY

The corporate culture takes all of a company's norms and values into account and develops over the course of a company's history

Dimensions of the corporate culture



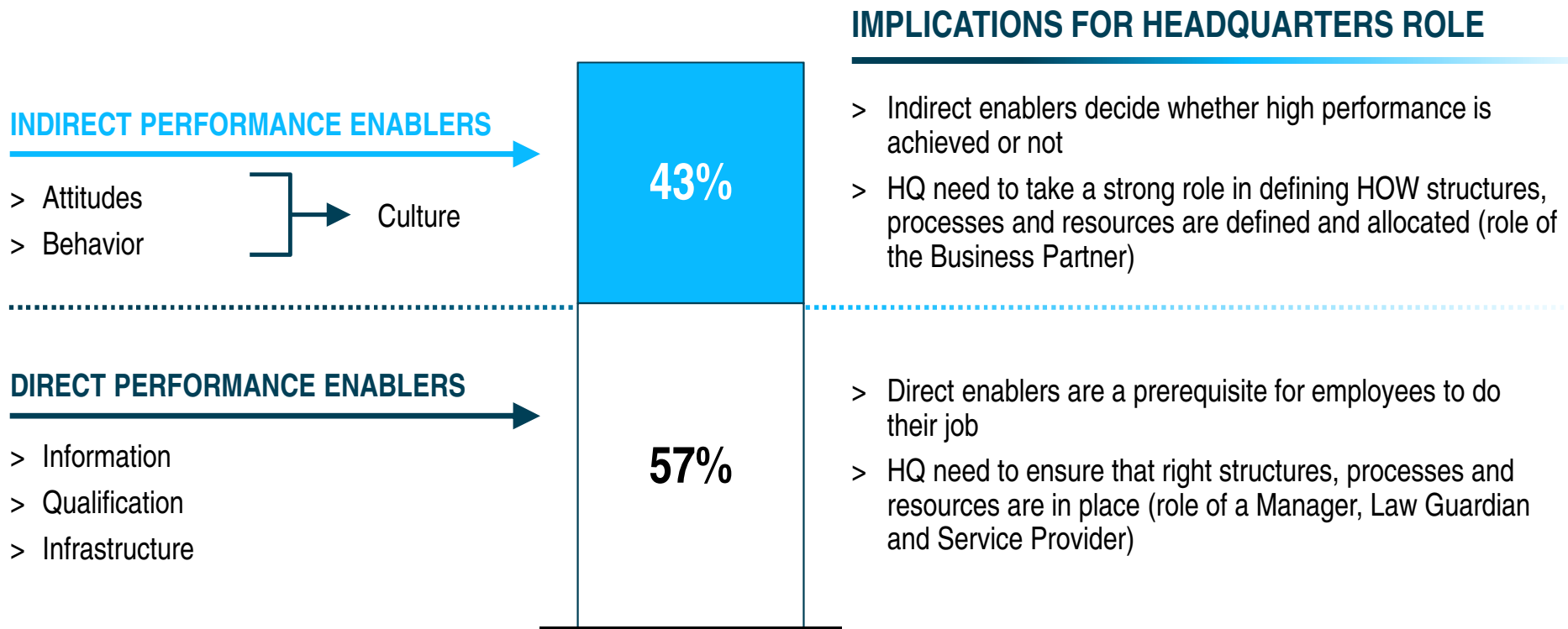
CORPORATE CULTURE...

- ... represents all of a company's and its members' norms, values, observable behaviors and rules
- ... has a major influence on the mindsets, behaviors and perceptions of employees and managers
- ... develops over the course of a company's history
- ... can be favorable and support the company's objectives and performance – or the opposite!

1 PURPOSE & IDENTITY

Employee performance is strongly driven by individual attitudes and behavior – Headquarters functions have an impact on the main factors

Employee performance and corporate culture [% of observable performance improvement]





B.2

Fundamental capabilities



Fundamental capabilities are consistent across all companies – HQ composition can differ significantly by function

Fundamental capabilities and frequent functions

FUNDAMENTAL CAPABILITIES

Manage portfolio: Diversification, divestments and optimization of existing portfolio

Provide financing: Financing at best possible terms and risk management as key tasks

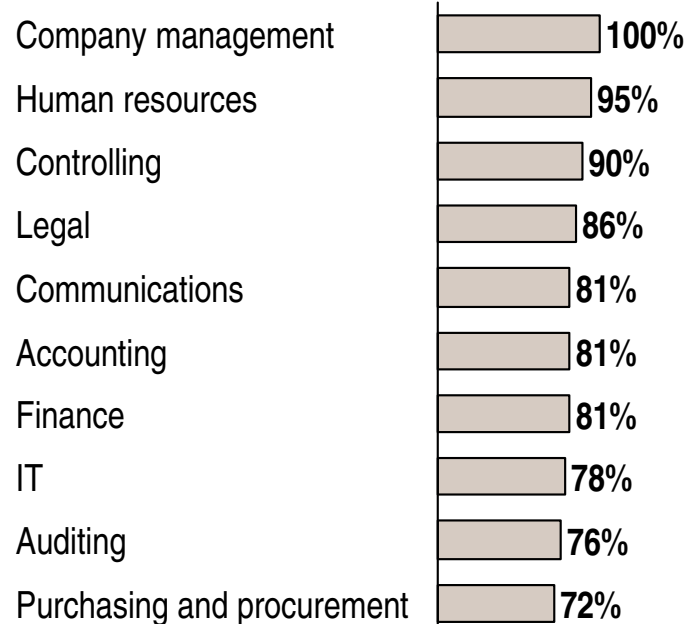
Corporate governance: Best practice shapes company's structures, systems and people

Report corporate activities: Main task to fulfill external requirements and to deliver meaningful management accounting

Exploit synergies: Focus changed from transactions to end-to-end processes

COMPOSITION OF HQs

Top 10 functions by frequency



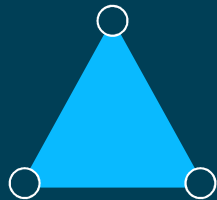
- > The fundamental capabilities of an HQ reflect the basic tasks the center needs to perform for the group itself and on behalf of the business units
- > Whereas all companies have a dedicated centralized company management function, the other "classical" centralized support functions are not necessarily located at the center
- > The allocation of support functions to the HQ or to decentralized units reflects the overall management model of the company and the role of the center



MANAGE PORTFOLIO

Diversification, divestment and optimization of the existing portfolio are the key tasks of portfolio management

Optimization:
Adding value in existing portfolio



Diversification:
Growth through new business

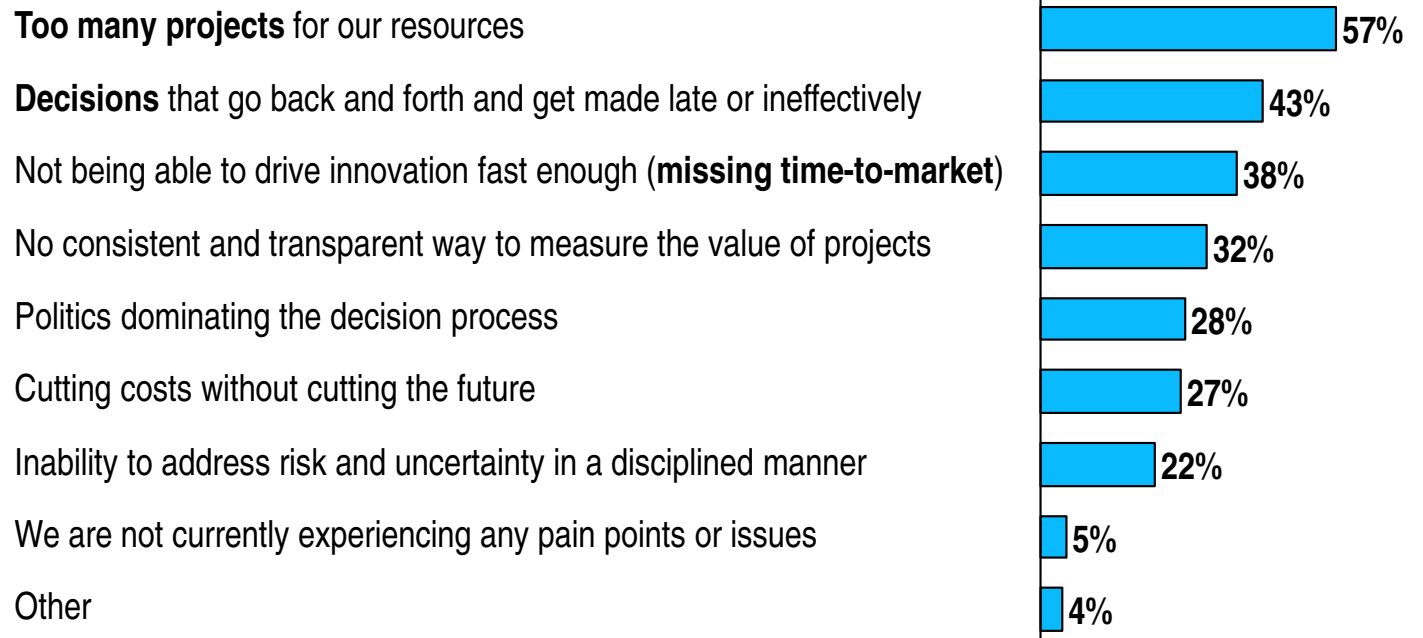
Portfolio adjustment:
Divestment

GOALS

- > Definition of target portfolio
- > Identification of levers to effect reorientation and optimization
- > Definition of quantitative targets
- > Definition of deadlines, milestones and actions

Tasks & challenges

What are your primary pain points and issues when managing your business portfolio?





PROVIDE FINANCING

Financing at best possible terms and risk management as the key tasks of providing finance

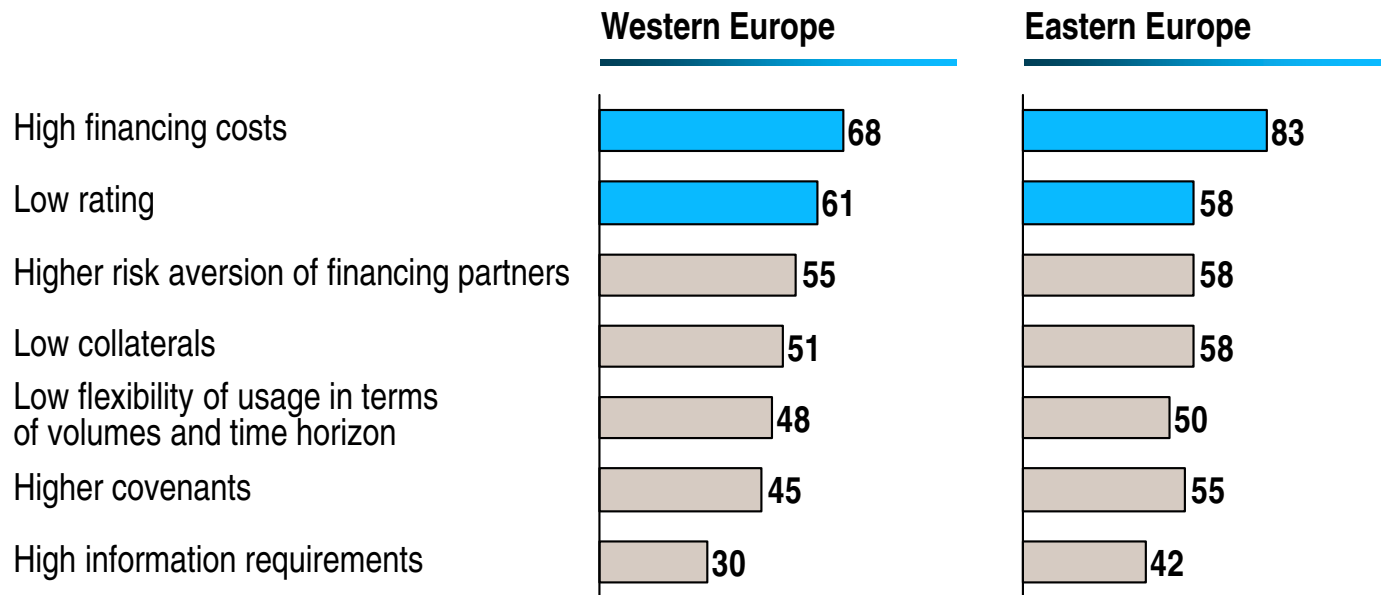
TASKS

- > Financing with equity and debt on the best possible terms
- > Managing country, currency and interest rate exposure
- > Managing pension fund assets and group liquidity with optimal risk/return trade-off
- > Preparing group financial plans and cash forecasts to support capital structure and financing decisions
- > Analyzing and defining the cost of capital and related financial goals
- > Providing state-of-the-art instruments in daily company-wide cash management to minimize interest and fees

Tasks & challenges

CHALLENGES

Obstacles to financing [% of responses]





CORPORATE GOVERNANCE

Best practice corporate governance shapes corporate structures, systems and people behavior

EFFECTIVE AND EFFICIENT
MANAGEMENT STRUCTURES

EFFECTIVE CODE OF
CONDUCT

COMPREHENSIVE INFORMATION

PROACTIVE RISK MANAGEMENT

TRANSPARENT
COMMUNICATION

VALUE-BASED
COMPENSATION SYSTEMS

Best practice and current fields of action

"What actions to enhance corporate governance, if any, are undertaken in your country or jurisdiction?"

Mandate that Chief Executive Officers and Chief Financial Officers/Finance Directors act as formal signatories to ...

Adopt and implement (in letter and spirit) principles of good corporate governance

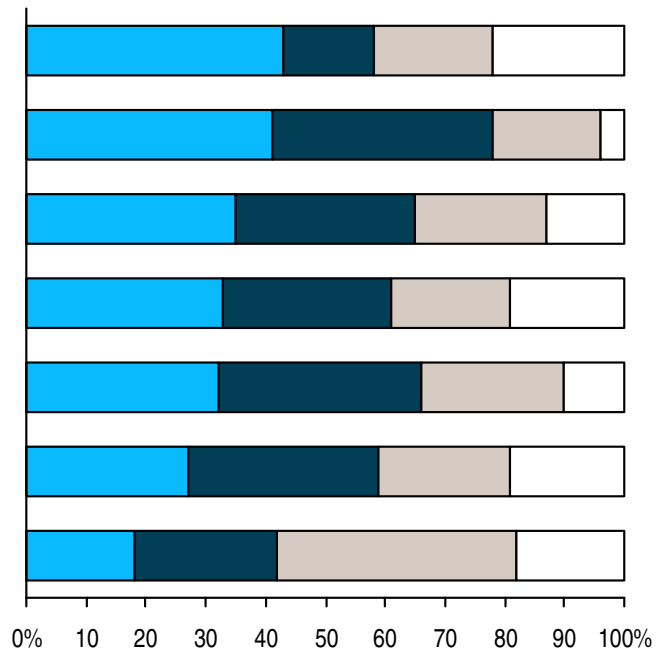
Establish fundamental ethical principles applicable to boards of directors, including principles of integrity, objectivity

Stipulate that the role of an effective director, and particularly a non-executive director, requires dedication, ...

Support an increased role for audit and compensation committees (including a monitoring role), and ensure that ...

Establish competency requirements for those preparing financial statements

Require that systems of remuneration provide performance incentives

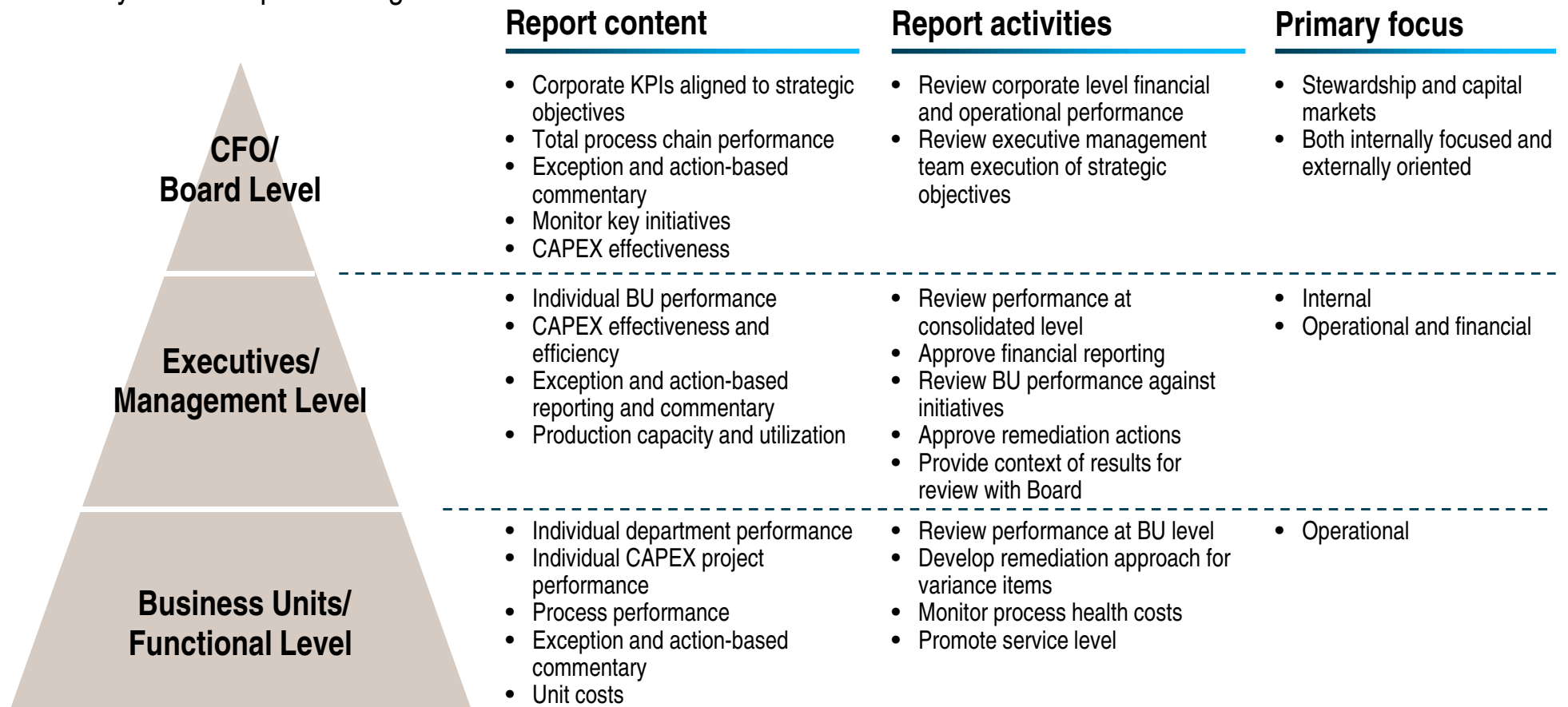


■ Action implemented
 ■ Action in progress
 ■ Action under consideration
 Action not being considered

2 FUNDAMENTAL CAPABILITIES – REPORT CORPORATE ACTIVITIES

The main task of reporting is to provide different internal and external audiences with appropriate, consistent and actionable information

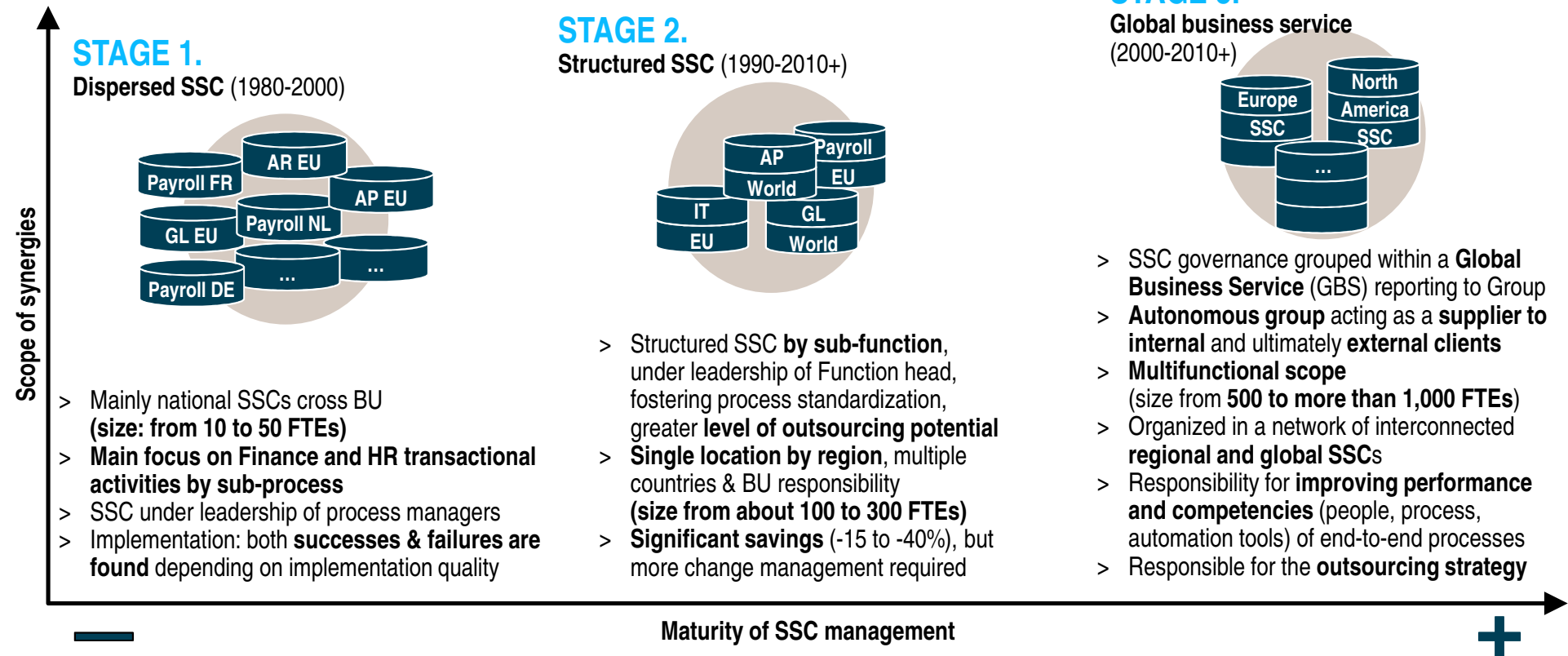
Hierarchy-related report management



2 FUNDAMENTAL CAPABILITIES – EXPLOIT SYNERGIES

Over the last 30 years, the focus of synergies has changed from transactions to end-to-end processes

Development of Shared Service Center (SSC) concepts, 1980-2010+





STRATEGY

COMPLEXITY

3

EXECUTION

INNOVATION

GLOBALITY

2

1

B.3

Value adding capabilities

Roland Berger
Strategy Consultants

3 VALUE ADDING CAPABILITIES

We have identified five value adding capabilities that characterize outstanding headquarters

Outstanding value adding capabilities

CAPABILITIES



PROVIDE STRATEGIC DIRECTION

1. Set and communicate strategic priorities
2. Provide resources to achieve clearly defined goals



MANAGE COMPLEXITY

1. Balance centralized and decentralized interests (steering approach, degree of freedom, etc.)
2. Understand contradicting goals and help to solve resulting conflict



STRENGTHEN INNOVATION

1. Provide expert knowledge (e.g. on trends, tools, etc.)
2. Share best practices
3. Foster joint development of new (client) solutions



WORK IN GLOBAL NETWORKS

1. Support collaboration across functions and organizational units (e.g. infrastructure)
2. Promote virtual teams/communities of practice/steering bodies



ENSURE EXECUTION

1. Drive change and foster implementation of global initiatives
2. Establish incentive/sanctioning mechanisms
3. Provide program management approach and tools

BEST PRACTICE¹⁾

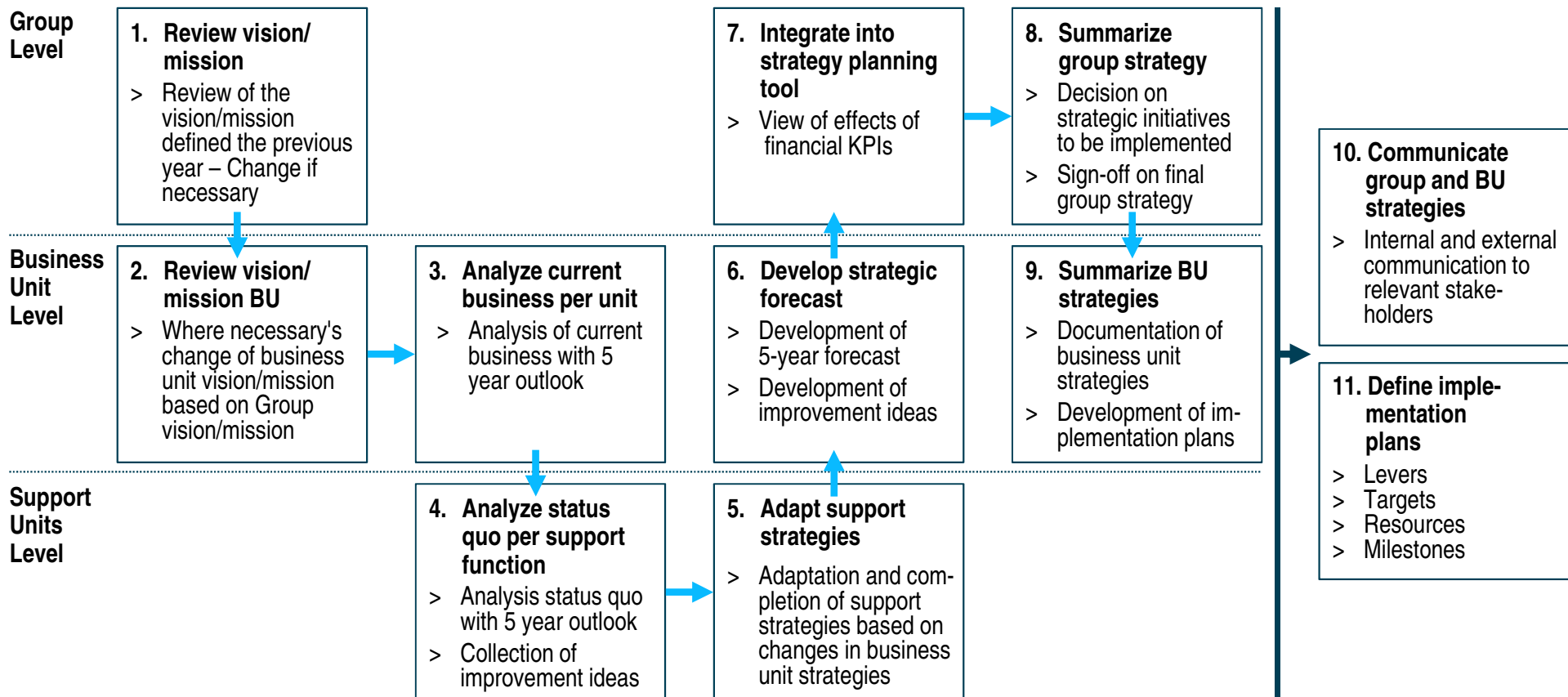


1) Based on Roland Berger expert survey 2) Detailed as best practice example in chapter C.

3 VALUE ADDING CAPABILITIES – PROVIDE STRATEGIC DIRECTION

Depending on the management style, the process of providing strategic direction involves BUs and support units

Strategy development process



3 VALUE ADDING CAPABILITIES – MANAGE COMPLEXITY

Companies need to determine the optimum level of complexity and ensure effective complexity management

Opportunities and threats of complexity

OPPORTUNITIES

Products

- > **Broad product offering** capturing new market niches often **provides competitive advantage**
- > Completely new markets are created around convenience/one-stop shopping

Organization

- > High degree of freedom of decentralized organizational units allows to serve markets locally



THREATS

Products

- > A **broad range of products** often results in an **increase in "complexity-sensitive" cost** across the value chain and hurts operational performance ("**vicious circle**")

Organization

- > High degree of freedom of decentralized organizational units will slow down reaction time on market turbulences

High complexity can help to develop competitive advantages ...

... but often harms company profitability



VALUE ADDING CAPABILITIES – STRENGTHEN INNOVATION

To boost innovation, companies should consider four dimensions: strategy, organization, process and support

KEY QUESTIONS

- > What are the **corporate vision and strategy**?
- > How to optimize the **innovation process**?
- > How to **organize innovation** teams and interfaces?
- > How to measure **innovation performance/KPI**?
- > How to **monitor innovation** projects in line with their **maturity level**?

INNOVATION PYRAMID

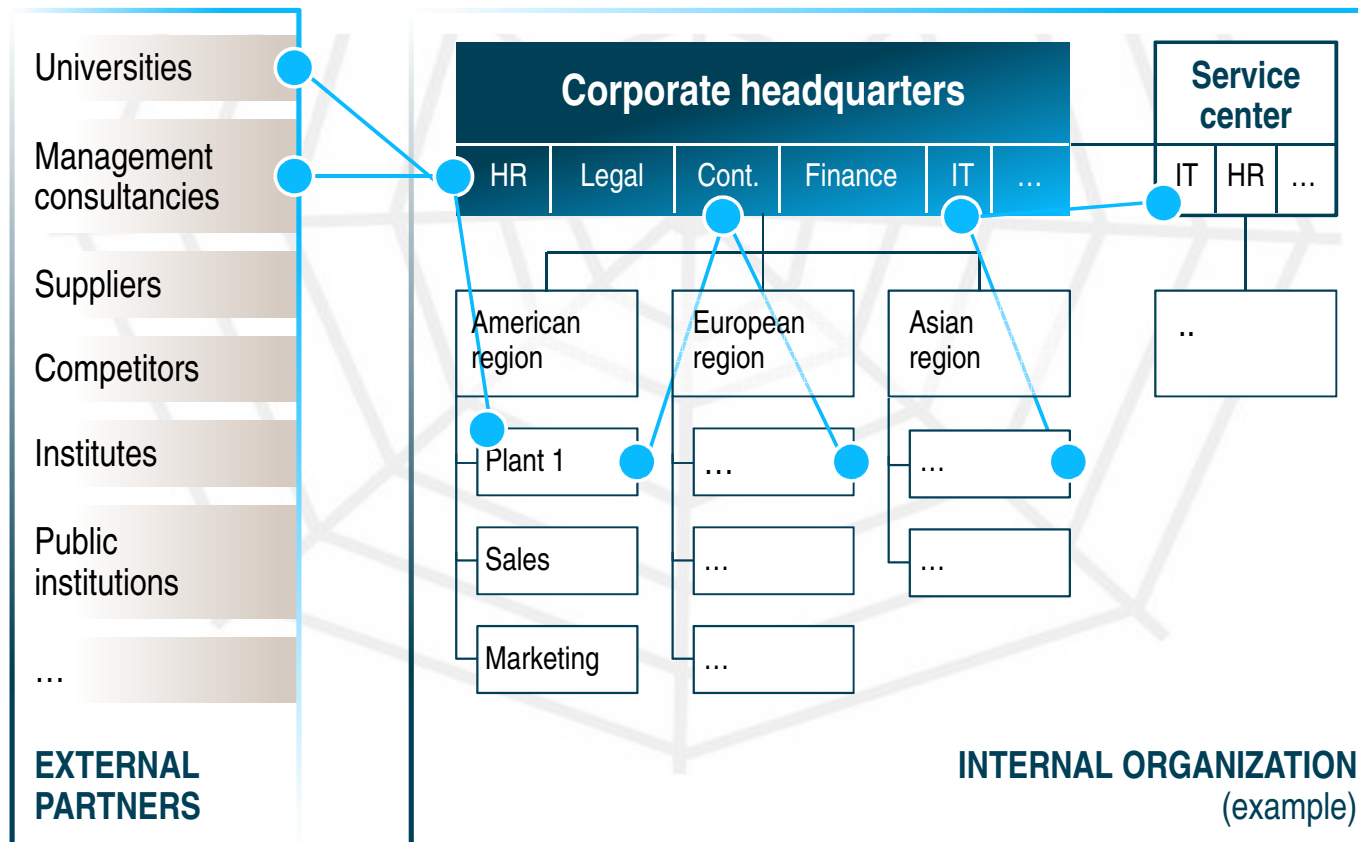


VALUE ADDING CAPABILITIES – WORK IN GLOBAL NETWORKS

Headquarters must develop a suitable framework for global collaboration with internal and external partners



Global Networks



IMPLICATIONS FOR CORPORATE HEADQUARTERS

- > Support collaboration cross-functionally and across organizational units
- > Provide the framework for global collaboration
 - Virtual teams
 - Communities of practice
 - Centers of Competence/ Excellence
 - Steering bodies
 - Communication system
- > Act as orchestrator or moderator in global networks



VALUE ADDING CAPABILITIES – ENSURE EXECUTION

Execution must focus on defining "who" does "what" and "when", monitoring progress and managing implementation actively

Challenges, tools & methods and results

CHALLENGES

- > **Defining the organization/responsibilities:** PMO, steering committee, projects
- > **Allocating resources** (e.g. qualified personnel)
- > **Structuring** project contents and monitoring all projects, action packages, actions and tasks
- > Identifying **interfaces with** other organizational units
- > Defining **consistent rules of the game**
- > Defining **incentives and sanctions**
- > **Monitoring** implementation progress
- > **Managing change**

TOOLS & METHODS

ACTION MANAGEMENT



NETWORK PLANNING

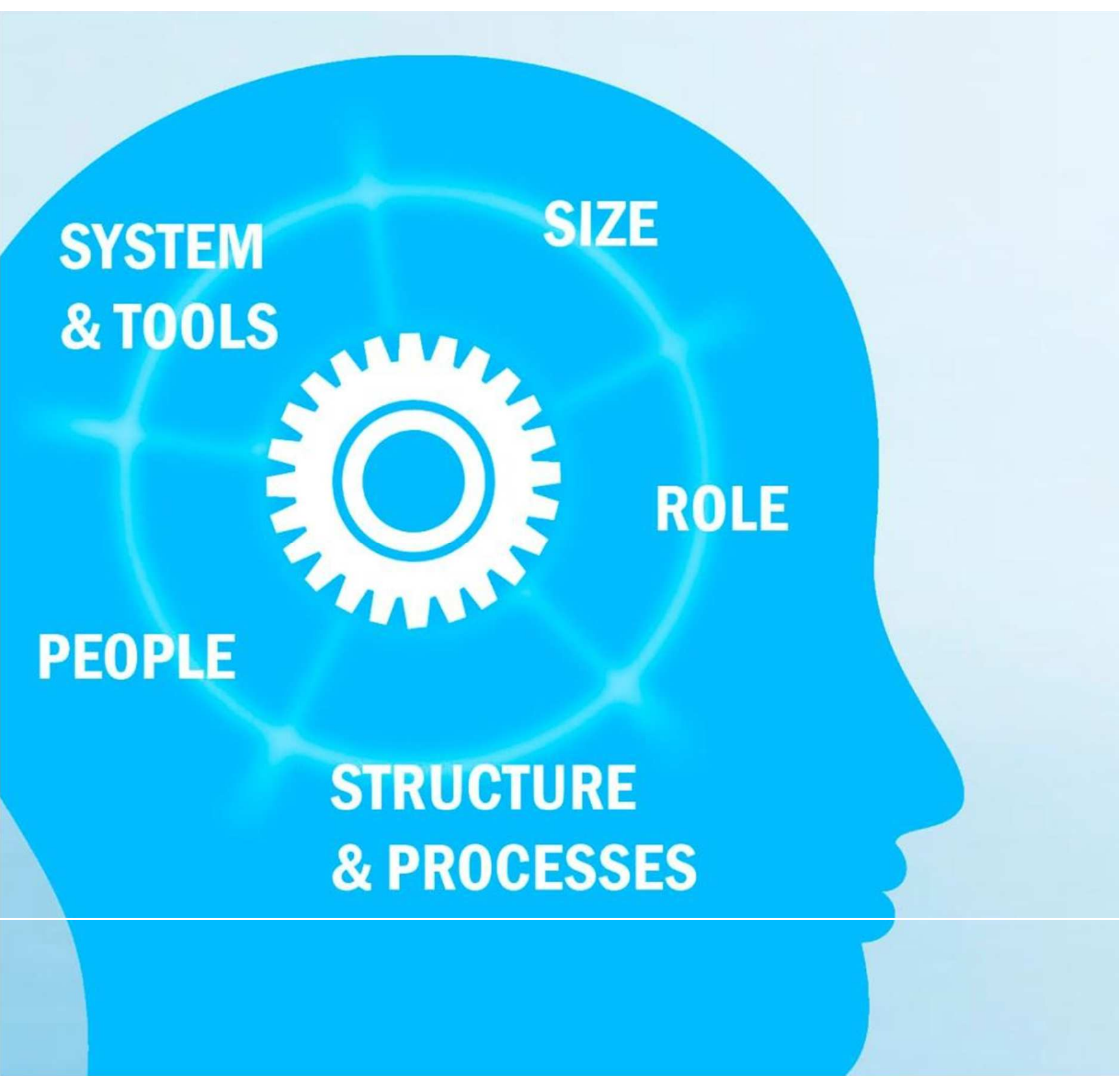


PRIORITIZATION MATRIX



RESULTS

- > **Transparency** on project status and results through all phases of project
- > **Efficient collaboration** between project participants and project stakeholders
- > **Prevention** of project delays
- > Involvement of whole organization








C.

**Your action plan –
Building value
adding capabilities
along five
dimensions**

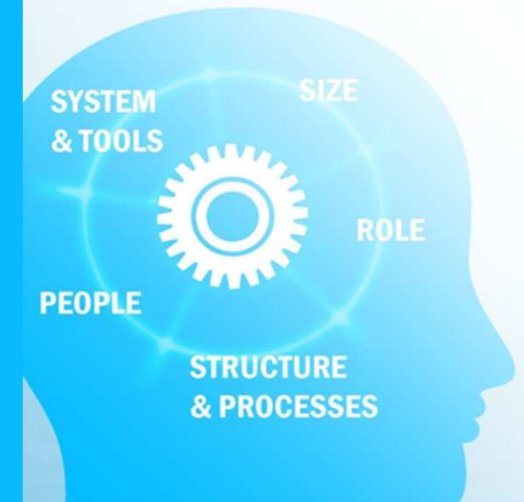
Five dimensions determine the design of corporate headquarters – These can be applied to boost HQ's value creation

Dimensions for designing corporate headquarters

ROLE		STRUCTURE & PROCESSES		SIZE		SYSTEMS & TOOLS		PEOPLE	
<ul style="list-style-type: none"> > Vision/Mission > Leadership approach > Four roles of headquarters (Law guardian, Manager, Business Partner, Service Provider) 		<ul style="list-style-type: none"> > Holding types vs. integrated headquarters > Corporate governance > Basic structural organization: HQ units, service center, business units, regions, ... > Function organization: Centralization vs. decentralization > Processes: Business, management, support > Location and infrastructure 		<ul style="list-style-type: none"> > Headcount/FTE > Costs of headquarters/HQ functions 		<ul style="list-style-type: none"> > Management information/Control system > KPIs/Incentive schemes > IT infrastructure > Knowledge Management 		<ul style="list-style-type: none"> > Skills and competencies > Mindset 	

DESIGNING CORPORATE HEADQUARTERS – ROLE

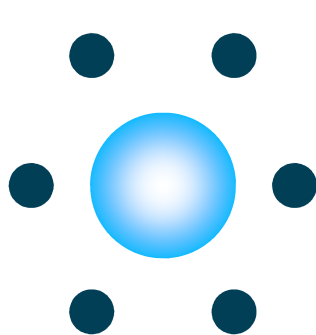
Corporate headquarters is the face of the company and the expression of its fundamental management style



Management style of corporate headquarters

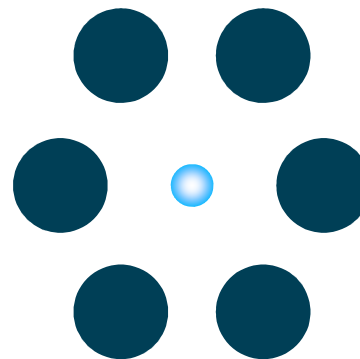
"CENTRALIZED"

Complete autocracy of corporate headquarters



Maximum self-determination, delegation of decision-making authority

"DECENTRALIZED"



- > Degree of involvement
- > Share of resources
- > Decision-making authority

The management style determines the basic **management concept**

- > Integrated headquarters
- > Operational holding organization
- > Strategic and financial holding organization

Derives the **roles** of the **centralized functions**, e.g. as

- > Law guardian (governance/legal matters)
- > Manager (management/control, strategy/resources)
- > Business partner (advice, expertise/innovation)
- > Service provider (services, focus on efficiency)

Determines the **allocation of decision-making authority**

- > Vertical: Headquarters – Division
- > Horizontal: Division – Division

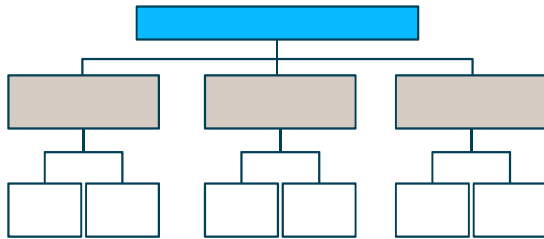
DESIGNING CORPORATE HEADQUARTERS – STRUCTURE & PROCESSES

**Structure and processes shape the organization –
Processes describe workflows within a company**

Organization, structure and processes

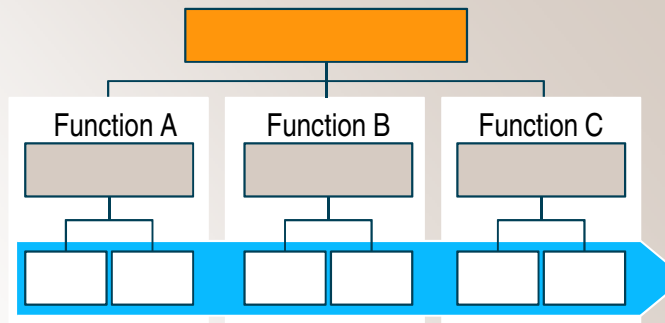
STRUCTURE

Structural organization of the company "per se"



- > Combination of basic organizational elements (functions, positions) to form a hierarchical structure
- > Relationship between the elements:
 - Subordination/superiority
 - Delegation of tasks, decision-making authority and responsibility

ORGANIZATION



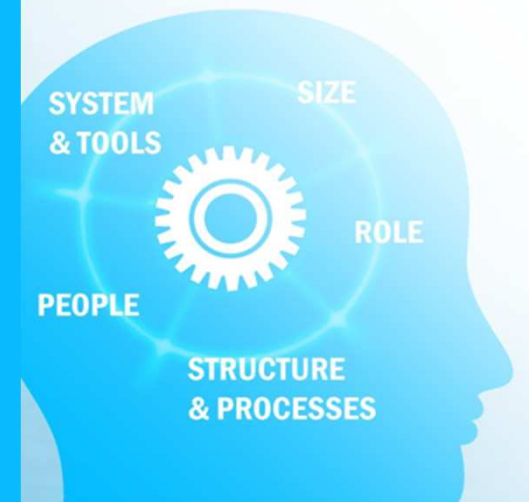
- > Distinct link between structures and processes in reality:
 - Structures and processes can not be seen independently from each other
 - Process = Workflow, interfaces and capacities across different organizational units
 - Function = Responsible for assigned tasks, capacities and cost

PROCESSES

Workflows within the organizational structure



- > Definition of the sequence of tasks and workflows
- > Relationship between the elements:
 - Consecutive process steps
 - Interfaces between processes and process steps

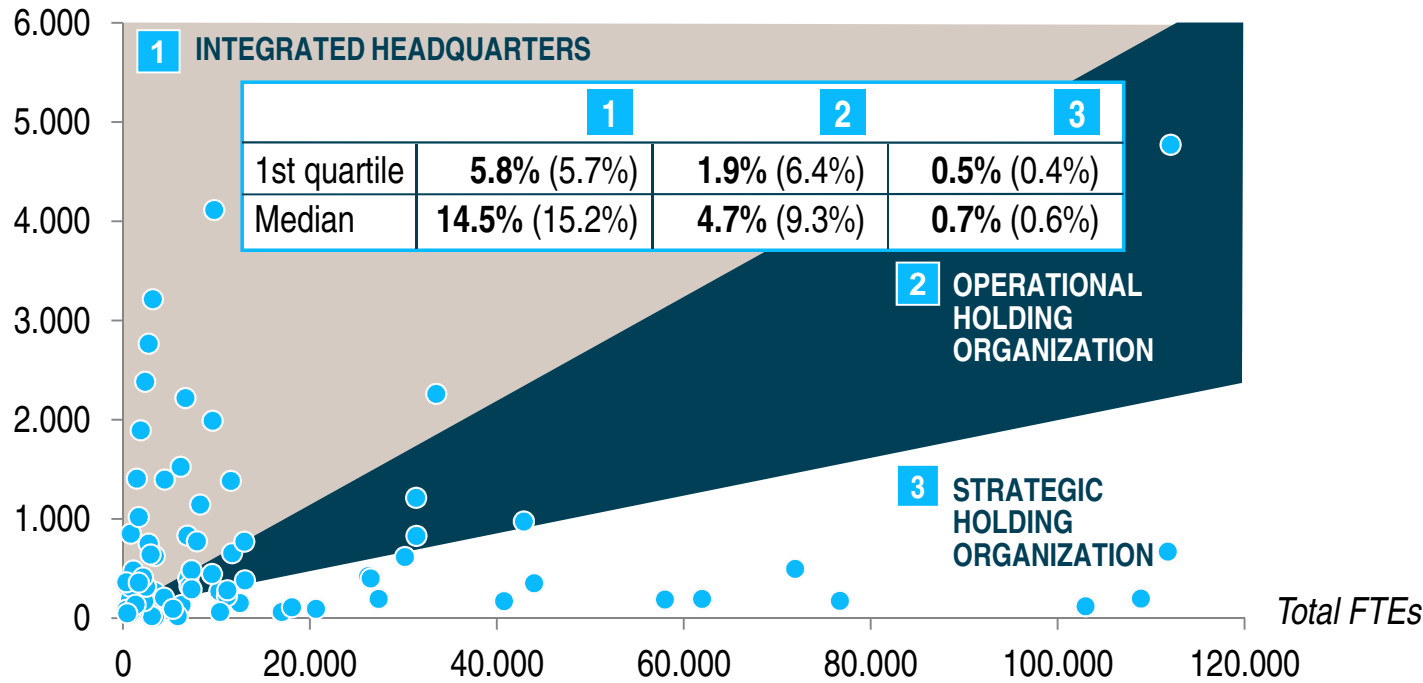


DESIGNING CORPORATE HEADQUARTERS – SIZE

Company size and management concept drive the relative size of corporate headquarters – actual study results in line with 2010 figures

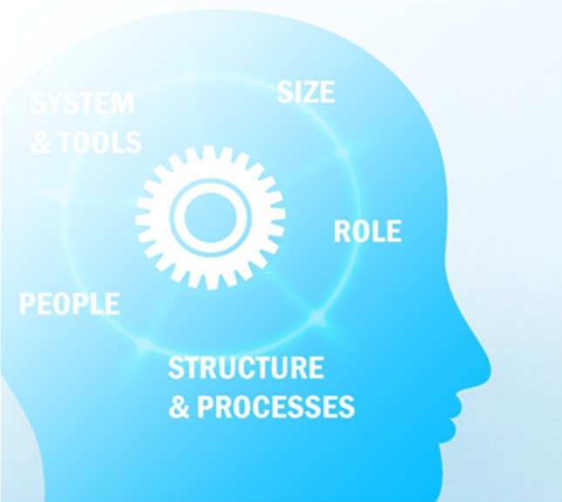
Number of employees in corporate headquarters vs. total number of employees [FTE]

FTEs in corporate centers



● 1 company (...) = findings from study "Corporate Headquarters 2010"

- > The relative size of corporate headquarters is driven by the overall size of the company and by the management concept
- > Typically, smaller companies are managed by integrated headquarters, larger ones by strategic holdings
- > The relative size of the headquarters is in line with the results from our 2010 study – major deviation can be observed for operational holdings



DESIGNING CORPORATE HEADQUARTERS – SYSTEMS & TOOLS

Systems & tools connect the structures of corporate headquarters, support decision making and enable efficient execution

SYSTEM/TOOL

Management Information System



KPIs/incentive schemes



IT infrastructure



Knowledge management



Overview

TASKS

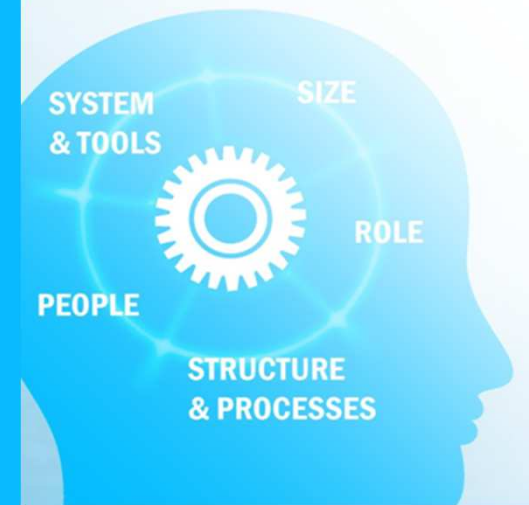
- > Reduce data flows to what is really essential
 - > Make information available fast
 - > Define consistent standards across the organization
-
- > Set measurable goals in line with overall strategy
 - > Set incentives for fulfilling goals
 - > Implement steering approach
-
- > Define framework for information generation, storage and exchange
-
- > Capture, distribute and effectively use knowledge
 - > Implement reward system
 - > Foster cross-functional knowledge sharing

SAMPLE SYSTEMS

- > Enterprise resource planning
 - > Supply chain management
 - > Customer relationship management
-
- > KPI trees
 - > Compensation scheme
 - > Balanced scorecard
-
- > Hardware
 - > Software
 - > Networks
-
- > Social media
 - > Document management system
 - > Communities of practice

DESIGNING CORPORATE HEADQUARTERS – PEOPLE

A comprehensive view on the people dimension of CHQ covers the entire HR value chain from planning to exit management













RB Talent Management approach



KEY SUCCESS FACTORS

- I. Start with an **integrative HR planning process** together with line functions/units
- II. Sustain **strong and congruent employer brand** and recruit the **right people**
- III. Guarantee an optimal **person-job fit by deploying** employees accordingly
- IV. **Manage performance** by installing specific assessment methods per target group
- V. Set up appropriate **development processes** for management and staff
- VI. Integrate **compensation and reward schemes** with target setting/MbO processes
- VII. Install a professional **exit process** to safeguard the employer brand
- VIII. Maintain and improve company culture by fostering **leadership values and styles**

The "CHQ Action Map" provides specific suggestions/starting points for building value adding capabilities

VALUE ADDING CAPABILITIES:	ROLE 	STRUCTURE & PROCESSES 	SIZE 	SYSTEMS & TOOLS 	PEOPLE 
 PROVIDE STRATEGIC DIRECTION	Set role(s) of CHQ to match company strategy (business requirements)	Define management concept and corresponding CHQ functions; define/prioritize business, management and support processes in line with operating model	Allocate/Balance resources to strategic priorities (capacity/cost)	Define KPIs and ambition level and specific targets	Build competency framework and career framework that reflects/support strategic priorities and apply in HR processes and instruments
 MANAGE COMPLEXITY	Articulate mutual expectations (CHQ vs. Business)	Follow stringent/consistent organizational design principles/criteria (first level segmentation); establish holistic end-to-end process view	Balance spans & layers	Eliminate conflicting incentives (incentives aligned to KPIs) – simplify	Create transparency on existing capabilities in the organization and support/ contribute to global succession management
 STRENGTHEN INNOVATION	Act as partner to the business to orchestrate innovation process	Define "opportunity seeking" process and moderate it; set up centers/communities of practice to integrate experts	Systematically allocate resources to prioritized fields of innovation	Establish knowledge sharing platforms/systems	Foster centralized-decentralized and cross-functional job rotation/ staffing
 WORK IN GLOBAL NETWORKS	Establish connections within and beyond the organization	Promote virtual teams/ communities of practice/ steering bodies	Free up resources for sharing and working in networks	Provide modern (technological) infrastructure	Identify talent and establish global talent pools; professionalize expatriate management within HR function
 ENSURE EXECUTION	Act as engagement manager to obtain commitments and ensure they are met	Balance decision authority (centralized vs. decentralized); apply sanctioning mechanisms in a stringent way (corporate governance, compliance)	Allocate dedicated resources to implementation management	Install (centralized) program/ project management tools (monitor achievements)	Empower managers to become "true leaders" and to take ownership; train project management skills

We have proven tools to enhance the value adding capabilities of corporate headquarters

Overview of tools to support building value adding capabilities



OVERALL

- > Organization audit
- > Corporate Center Health Check

ROLE



- > Framework for CHQ roles
- > Templates for role descriptions

STRUCTURE & PROCESSES



- > proDacapo (ABC)
- > RB Profiler for functions
- > Innovation management approach
- > Process optimization toolbox

SIZE



- > BigBen/orga benchmarks
- > SG&A database
- > Sizing tool
- > Spans & layers benchmarking/test
- > Business planning/cases
- > Functional task analysis

SYSTEMS & TOOLS



- > RBpoint
- > proDacapo (BSC)

PEOPLE



- > HR Excellence
- > Change management toolbox
- > HR health check/Talent management audit
- > Transfer matrix

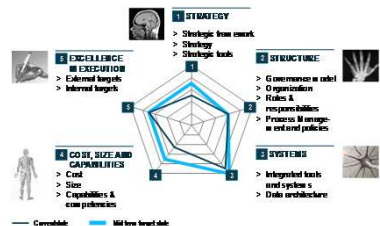
We have the right set of methodologies to support analyses and safeguard sustainable implementation (1/3)

OVERALL

1 Organization audit

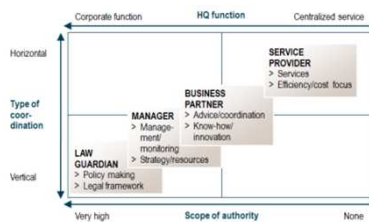


2 Corporate Center Health Check

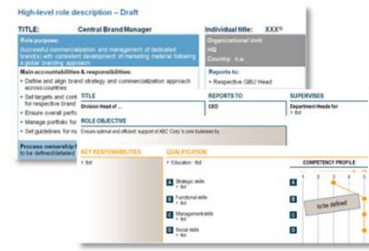


ROLE

3 Framework for CHQ roles

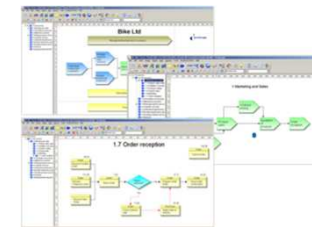


4 Templates for role descriptions



STRUCTURE & PROCESSES

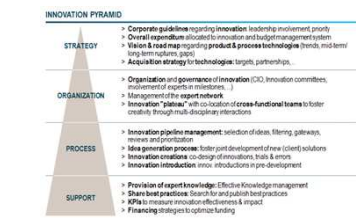
5 proDacapo (ABC)



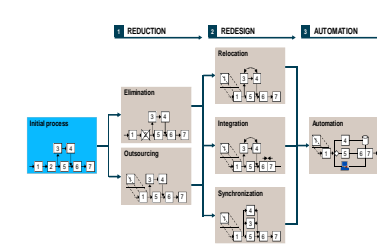
6 RB Profiler for functions



7 Innovation management approach



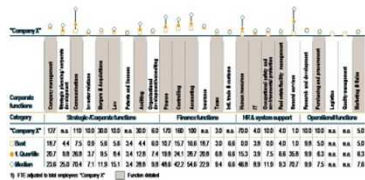
8 Process optimization toolbox



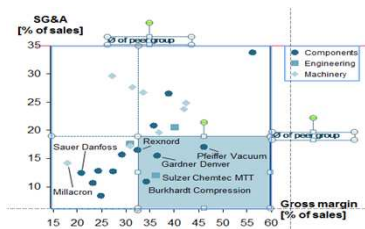
We have the right set of methodologies to support analyses and safeguard sustainable implementation (2/3)

SIZE

9 BigBen/orga benchmarks



10 SG&A database



11 Sizing tool

2016 Size register											
Function	No.	Hierarchy									
		1	2	3	4	5	6	7	8	9	10
Production	1	1	1	1	1	1	1	1	1	1	1
Quality	1	1	1	1	1	1	1	1	1	1	1
Logistics	1	1	1	1	1	1	1	1	1	1	1
Finance	1	1	1	1	1	1	1	1	1	1	1
HR	1	1	1	1	1	1	1	1	1	1	1
IT	1	1	1	1	1	1	1	1	1	1	1
Legal	1	1	1	1	1	1	1	1	1	1	1
Marketing	1	1	1	1	1	1	1	1	1	1	1
Research & Development	1	1	1	1	1	1	1	1	1	1	1
Customer Support	1	1	1	1	1	1	1	1	1	1	1
Procurement	1	1	1	1	1	1	1	1	1	1	1
Energy	1	1	1	1	1	1	1	1	1	1	1
Security	1	1	1	1	1	1	1	1	1	1	1
Compliance	1	1	1	1	1	1	1	1	1	1	1
Public Affairs	1	1	1	1	1	1	1	1	1	1	1
Internal Audit	1	1	1	1	1	1	1	1	1	1	1
Investment	1	1	1	1	1	1	1	1	1	1	1
ESG	1	1	1	1	1	1	1	1	1	1	1
Other	1	1	1	1	1	1	1	1	1	1	1

12 Spans & layers benchmarking/test

FRANCE - Spans & Layers of the purpose of France's organization											
Function	Span	Layers	Span	Layers	Span	Layers	Span	Layers	Span	Layers	Span
Production	4	3	4	3	4	3	4	3	4	3	4
Quality	4	3	4	3	4	3	4	3	4	3	4
Logistics	4	3	4	3	4	3	4	3	4	3	4
Finance	4	3	4	3	4	3	4	3	4	3	4
HR	4	3	4	3	4	3	4	3	4	3	4
IT	4	3	4	3	4	3	4	3	4	3	4
Legal	4	3	4	3	4	3	4	3	4	3	4
Marketing	4	3	4	3	4	3	4	3	4	3	4
Research & Development	4	3	4	3	4	3	4	3	4	3	4
Customer Support	4	3	4	3	4	3	4	3	4	3	4
Procurement	4	3	4	3	4	3	4	3	4	3	4
Energy	4	3	4	3	4	3	4	3	4	3	4
Security	4	3	4	3	4	3	4	3	4	3	4
Compliance	4	3	4	3	4	3	4	3	4	3	4
Public Affairs	4	3	4	3	4	3	4	3	4	3	4
Internal Audit	4	3	4	3	4	3	4	3	4	3	4
Investment	4	3	4	3	4	3	4	3	4	3	4
ESG	4	3	4	3	4	3	4	3	4	3	4
Other	4	3	4	3	4	3	4	3	4	3	4

13 Business planning/cases

	2016	2017	2018	2019	2020
Price [€]	5.38	5.39	5.43	5.47	5.52
Quantity	12,900	12,900	12,900	12,900	12,900
Gross Sales	68,228	68,569	67,362	68,392	70,800
Revenue %	2.0%	2.0%	2.0%	2.0%	2.0%
Revenue abs.	2,813	2,822	2,809	2,792	2,919

14 Functional task analysis

Start page

Master data

Task sheet (closed survey only)

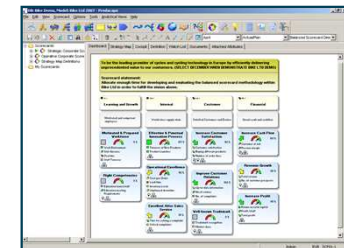
Capacity allocation sheet

SYSTEMS

15 RBpoint – Implementation management



16 proDacapo (BSC)



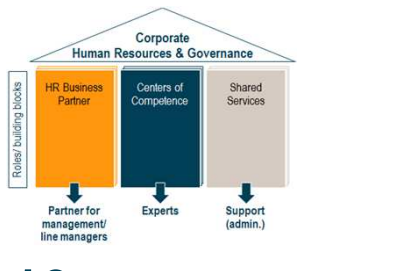
We have the right set of methodologies to support analyses and safeguard sustainable implementation (3/3)

PEOPLE



17

HR Excellence



18

Change management toolbox

Ready-Willing-Able:

The block shows several tool outputs: a "Change Management" checklist, a "Cultural Audit" report with a group photo, and a "Temperature Check" chart showing a line graph over time.

19

HR health check/Talent management audit

The screenshot shows a detailed audit tool with sections for "STRATEGY", "STRUCTURE", "PROCESS", "EXCELLENCE IN EXECUTION", and "Talent assessment". It includes a list of criteria and a progress indicator for "Actual" vs "Target".

20

Transfer matrix

The screenshot shows a "Transfer matrix" table with columns for "Personal skills", "Employment conditions", "Act", "Task", "Contexts", and "New roles". It includes a grid for mapping skills and conditions to new roles.

For further information on Roland Berger tools & methodologies don't hesitate to contact the authors of the study.

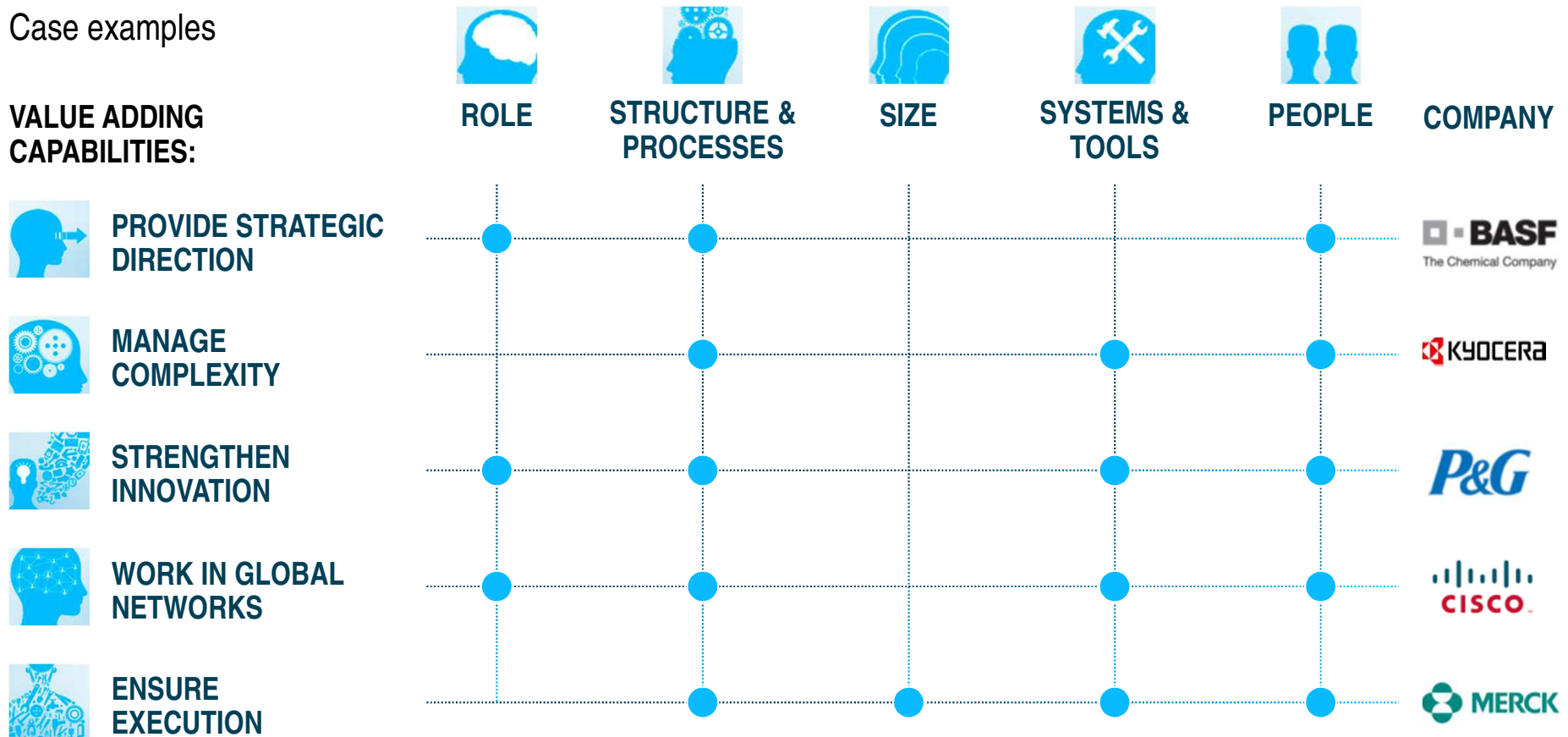


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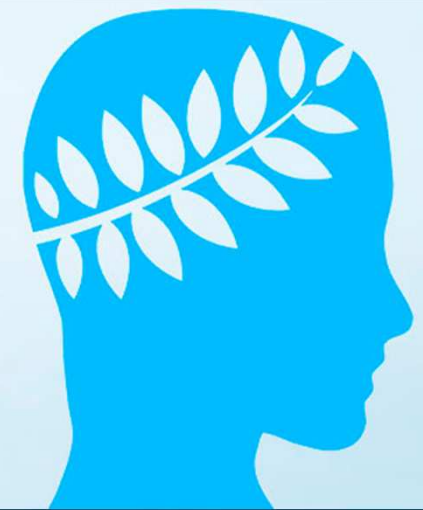
Best practice
examples –
Understanding
how other
companies do it

The case studies illustrate how companies use value adding capabilities across all HQ dimensions to gain competitive advantage

Case examples



● = Dimension and capability covered in case study



PROVIDE STRATEGIC DIRECTION – EXAMPLE BASF

BASF clearly provides strategic direction by defining a common understanding of "what" they do, "why" and "how" they do it

PROFILE	<ul style="list-style-type: none"> > Industries: Chemicals & Oil > Employees 2011: 111,141 > Revenue 2011: EUR 73.5 bn 	 <small>The Chemical Company</small>	DIMENSIONS COVERED	<ul style="list-style-type: none"> > Structure & processes > Systems & tools > People
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RESULTS

- > Foster common company purpose, values and principles
- > Consistent understanding of strategy to make sure employees show consistent behavior
- > Targets, strategy and levers of decentralized units clearly linked to overall company strategy

APPROACH FOR

- > Large multinational companies

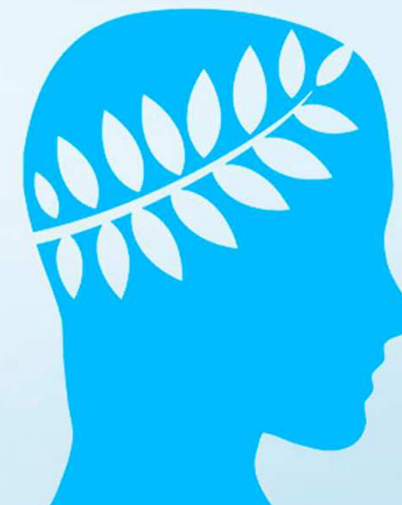


BACKGROUND

- > BASF wants to strengthen its position as the world's leading chemical company
- > Provide a common understanding of "what" they do, "why" and "how" they do it

APPROACH: "WE CREATE CHEMISTRY" strategy

- > Provide a consistent strategic direction, defining the BASF roadmap
 - From purpose, values and strategic principles
 - Strategic levers
 - To performance targets for 2020



PROVIDE STRATEGIC DIRECTION – EXAMPLE BASF

The "Why" dimension highlights the purpose of BASF as a company and relevant areas of innovation

Purpose

Provision of company vision



"We create chemistry for a sustainable future"

- > Combine business success, social responsibility and environmental protection
- > Enable customers to meet the current and future needs of society through science & innovation

Key areas



Resources, environment and climate

- > Dramatically rising energy demand
- > Access to clean water and other non-renewable resources



Food and nutrition

- > Growing world population obviously needs correspondingly more food
- > Need to enhance nutrition quality



Quality of life

- > People want to improve their individual quality of life

BASF's purpose...

- ...is the foundation for the global strategy
- ...determines guiding principles for the design of the organization

Key areas

- ...identify external trends relevant for BASF's strategy

PROVIDE STRATEGIC DIRECTION – EXAMPLE BASF

The "What" dimension lays out BASF's response to major trends by defining four strategic principles

Four strategic principles



We add value as one company

Connect strengths as one company to better use the full range of the competencies that make us unique in our industry



We drive sustainable solutions

Enhance our long-term success and that of our customers by offering sustainable products and solutions



We innovate to make our customers more successful



Explore and open up new growth markets by integrating more closely our R&D expertise, operational excellence, market knowledge and customer relationships

We form the best team



- > Excellent people
- > Excellent place to work
- > Excellent leaders

PROVIDE STRATEGIC DIRECTION – EXAMPLE BASF

The "How" dimension defines how BASF lives out its values

Values

Creative

- > We have the courage to pursue bold ideas
- > We inspire each other and build value-adding partnerships
- > We constantly improve our products, services and solutions

Responsible

- > We act responsibly as an integral part of society
- > We strictly adhere to our compliance standards
- > We never compromise on safety



Open

- > We value diversity – in people, opinions and experience
- > We foster dialog based on honesty, respect and mutual trust
- > We explore our talents and capabilities

Entrepreneurial

- > We all contribute to our company's success, as individuals and as a team
- > We turn market needs into customer solutions
- > We take ownership and embrace personal accountability

PROVIDE STRATEGIC DIRECTION – EXAMPLE BASF

The sales and profitability targets set the ambition level for strategic levers

Strategic levers and targets

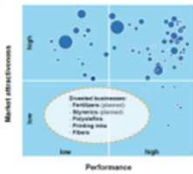
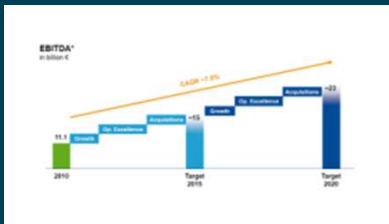
STRATEGIC LEVERS

TARGETS 2020

Sales of approx. EUR 115 bn



Double EBITDA to EUR 23 bn



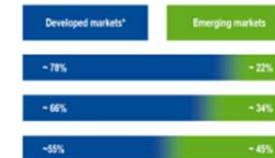
Portfolio development
chemicals to chemistry



Cross-divisional customer industry **market approach**



Strengthening R&D
platform in Asia/Pacific to accelerate growth



Increased **investments** in emerging markets

Financial acquisition criteria

Acquisitions
matching strategic and financial criteria

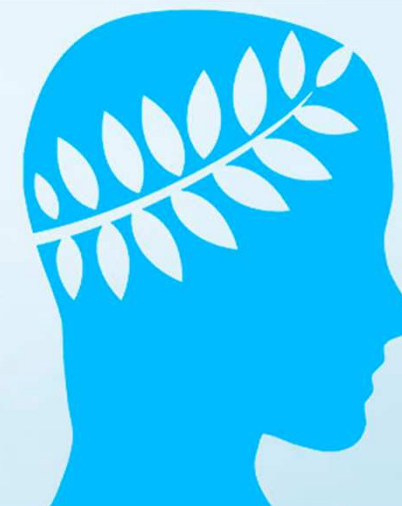
Strategic acquisition criteria



Operational excellence **programs**

MANAGE COMPLEXITY – EXAMPLE KYOCERA

Kyocera tackles complexity by dividing the organization into small independent units called "amoebas"



PROFILE

- > Industry: Electronics
- > Employees: 71,489
- > Revenue 2011/12: USD 14.5 bn



DIMENSIONS COVERED

- > Structure & processes
- > Systems & tools
- > People

RESULTS

- > Profitable growth promoted and overall complexity reduced by giving managers and employees more responsibility and accountability for the performance of their own profit centers
- > Changing people's mindsets: involving all employees in decision-making processes. Making their contribution to the success of the business transparent

APPROACH FOR

- > Companies in dynamic competitive environments

NOTE

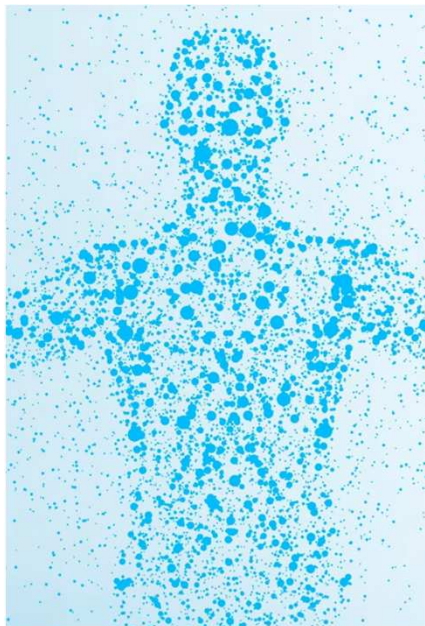
- > In biology amoeba describes a genus of unicellular organisms

BACKGROUND

- > Business philosophy and unique leadership system developed by Kyocera founder Kazuo Inamori
- > Intention: Handle complexity and make it easier for ordinary employees without operations or finance backgrounds to see how they can contribute to the success of the business

APPROACH: AMOEBIA MANAGEMENT

- > Divide organization into small organizational units, called amoebas, with 10 to 50 employees
- > Attribute revenues and cost of sales to each amoeba
- > Encourage each amoeba to operate independently and to develop own ways of working with other amoebas to achieve profitable growth



MANAGE COMPLEXITY – EXAMPLE KYOCERA

Amoeba management establishes a market-oriented accounting system, fosters responsibility and involves all employees

Amoeba management objectives



Realize management by all

- > Employees work together to help manage the development of the company
- > Employees work with a sense of purpose and accomplishment



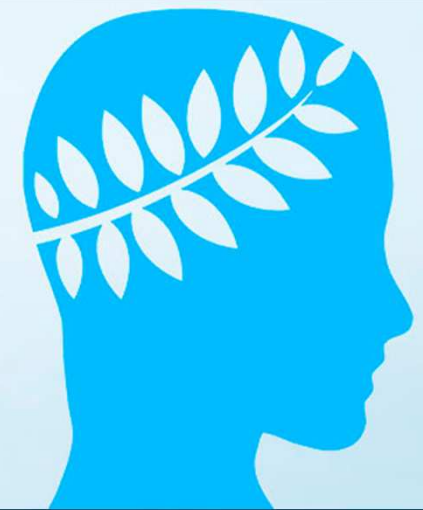
Foster personnel with a sense of management

- > Divide the organization into small units as necessary and rebuild as a unified body of separate enterprises
- > Entrust the management of these units to amoeba leaders to foster personnel with a sense of management



Establish a market-oriented divisional accounting system

- > Fundamental principle for managing a company to maximize revenues and minimize expenses
- > For ease of implementation, the organization is divided into many small accounting units that can promptly respond to market changes

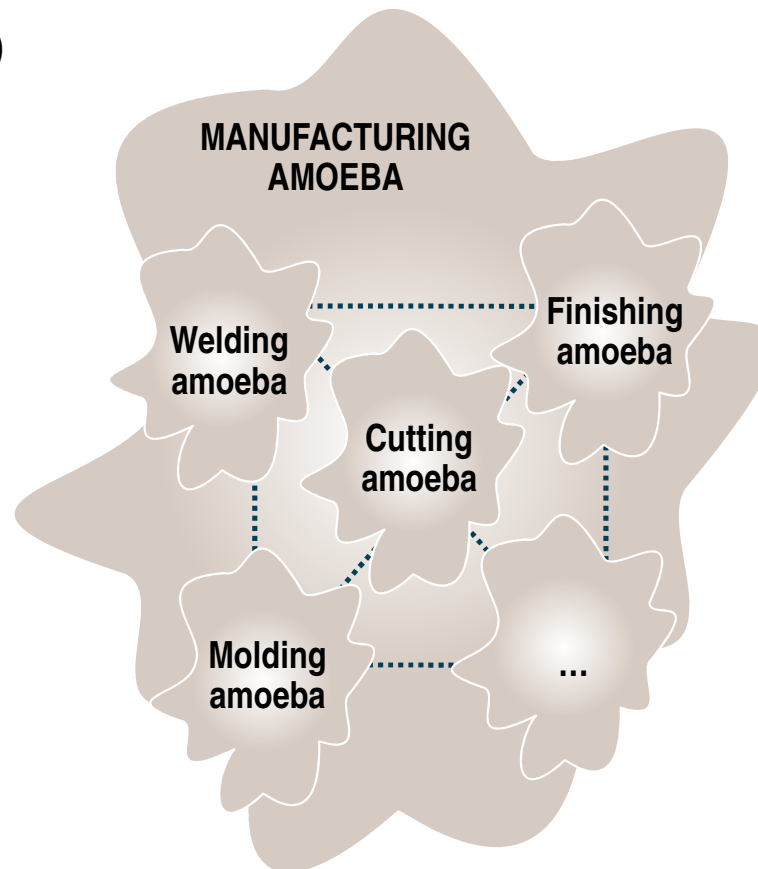


MANAGE COMPLEXITY – EXAMPLE KYOCERA

Divided into about 3,000 amoebas, Kyocera's organization is an example of extreme decentralization

Amoeba management (1/2)

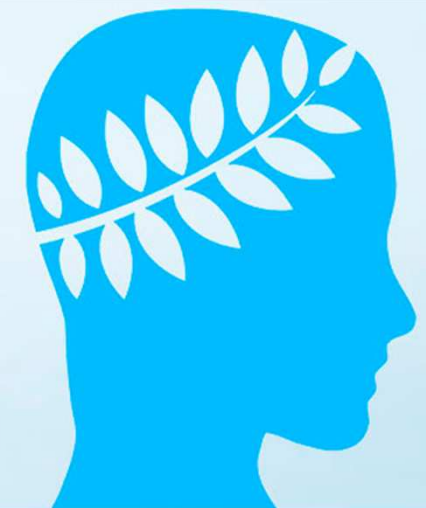
STRUCTURE & PROCESSES



- > Kyocera has 3,000 amoebas, i.e. small customer-focused business units with between 5 and 50 employees
- > Amoebas are expected to operate independently and to achieve profitable growth by collaborating with other amoebas – Market prices form the basis for communication and negotiations among them
- > Four types of functionally differentiated amoebas: Manufacturing, sales, research and development, and general administration
- > Each functional amoeba comprises subfunctional amoebas, e.g. in the manufacturing amoeba, there may be amoebas that specialize in welding, molding, cutting, etc.

MANAGE COMPLEXITY – EXAMPLE KYOCERA

Managing decentralized units requires tailored performance measures and common values



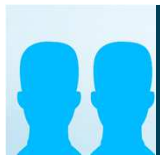
Amoeba management (2/2)

SYSTEMS & TOOLS



$$\text{Hourly Efficiency} = \frac{\text{Amoeba's value added}}{\text{Labor hours worked}}$$

PEOPLE

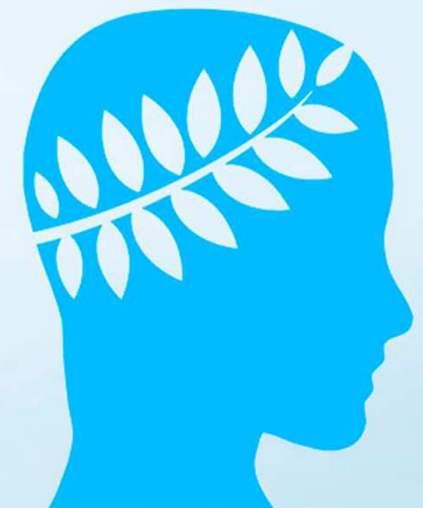


- The twelve Kyocera management principles**
1. Clearly state the purpose and mission of your business
 2. Set specific goals
 3. Keep a passionate desire in your heart.
 4. Strive harder than anyone else.
 5. Maximize revenues and minimize expense
 6. Pricing is management
 7. Success is determined by willpower
 8. Possess a fighting spirit
 9. Face every challenge with courage
 10. Always be creative in your work
 11. Be kind and sincere
 12. Always be cheerful and positive

- > Each amoeba has clearly defined revenues and cost of sales (profit-and-loss centers)
- > "Hourly efficiency" is the main KPI and allows management to make profitability comparisons across amoebas and time
- > Handbooks with management principles and extensive trainings manifest common values and skill sets among the amoebas
- > HR competency model with strong focus on collaborative skills
- > Amoeba leaders develop their own plans and have them approved by its members and senior supervisors

STRENGTHEN INNOVATION – EXAMPLE P&G

Procter & Gamble fosters innovation by opening the process to external partners



PROFILE

- > Industry: Consumer goods
- > Employees 2012: 126,000
- > Revenue 2012: USD 83.7 bn



DIMENSIONS COVERED

- > Role
- > Structure & processes
- > Systems & tools
- > People

RESULTS

- > More than half of new product initiatives are based on collaboration with external partners within the "Connect + Develop" program
- > Developing faster and at lower cost

APPROACH FOR

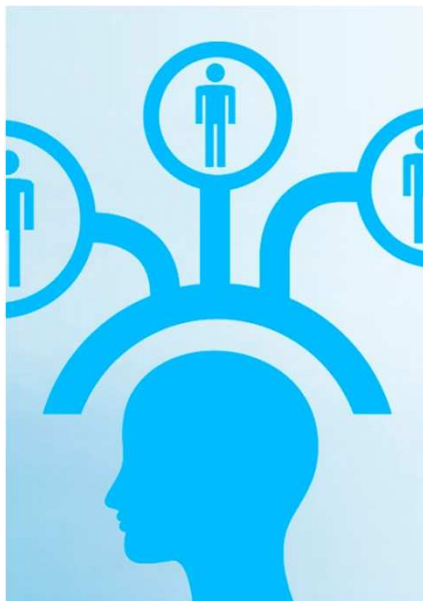
- > Companies with innovation focus

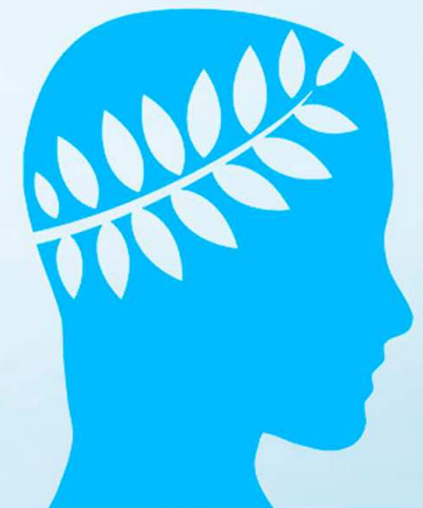
BACKGROUND

- > Around 2000, the company faced a dilemma – Although more and more money was spent on innovations, the number of successful products remained on a low level (approx. 15%)
- > P&G focused innovation on internal resources, while outside the company approx. 2 million experts researched P&G-relevant topics – P&G decided to make use of that knowledge

APPROACH: Connect + Develop open innovation program

- > Define company-wide innovation process
- > Source innovation from a larger network of external partners
- > Build up an innovation Internet platform, innovation scout team and innovation partnering process to encourage external collaboration





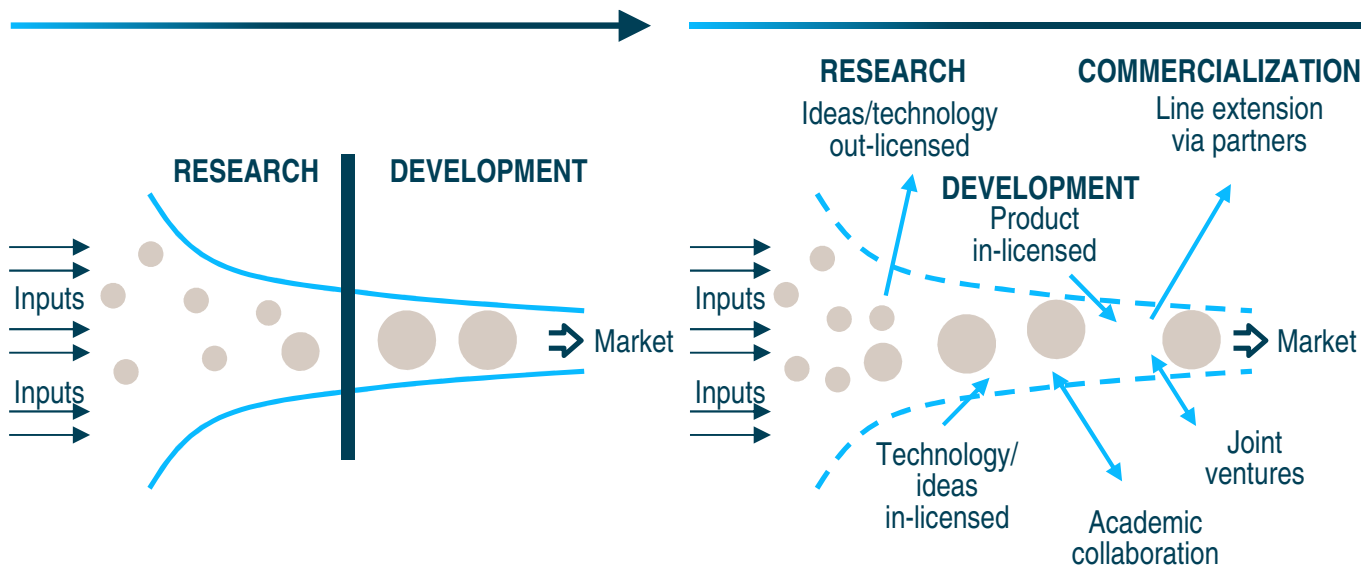
STRENGTHEN INNOVATION – EXAMPLE P&G

An open model with internal and external parties enables more dynamic innovation

Innovation process

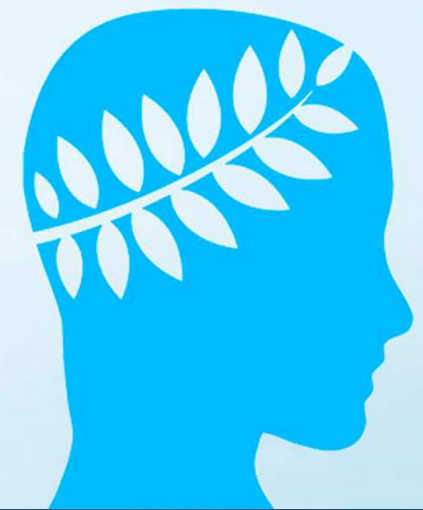
FROM CLOSED INNOVATION MODEL...

...TO OPEN INNOVATION MODEL



P&G Approach

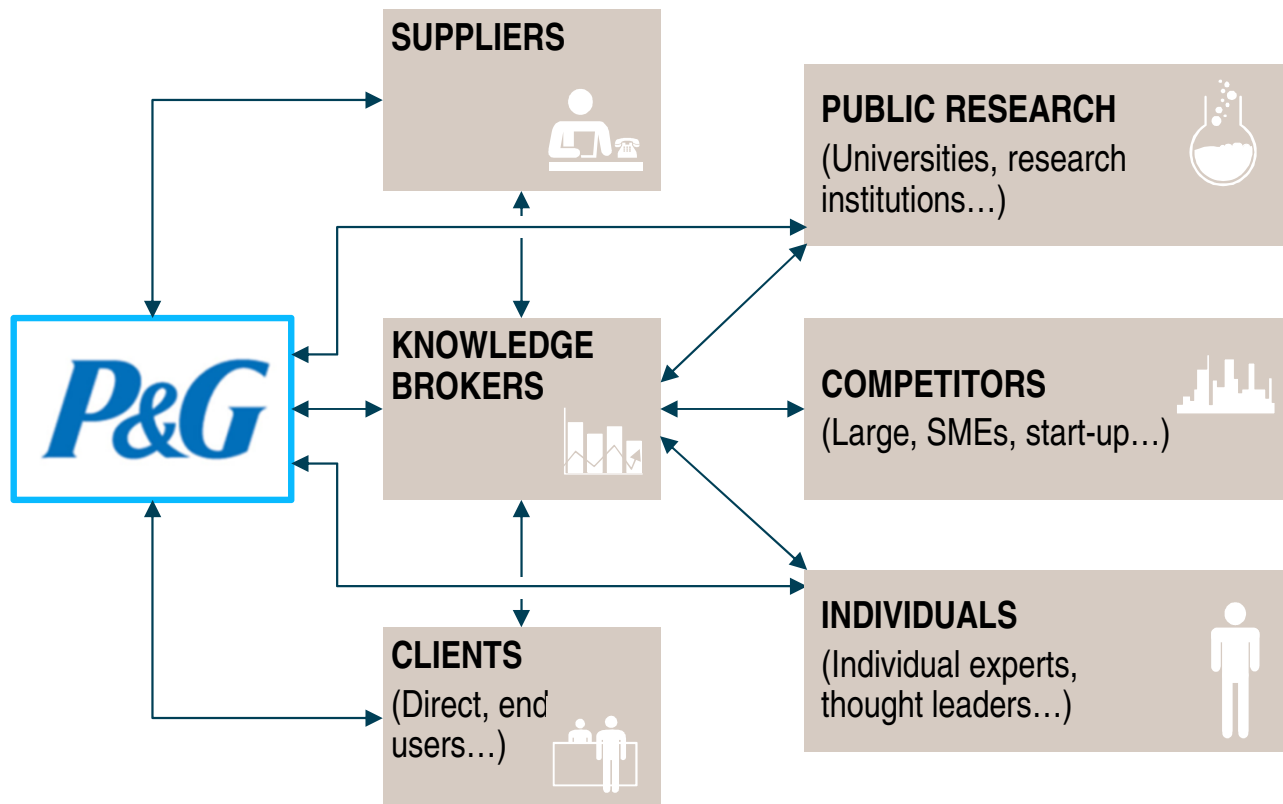
- > Source innovation from a larger network of businesses and individuals
- > Partner with small companies, multinationals, individual inventors and, in some cases, even competitors
- > Develop an innovation portal with some 5,000 submissions annually, listing current innovation needs
- > Search the Internet, trade fairs and other countries for new innovations with a team of 15 innovation scouts
- > Partnering process
 - Electronic submission via portal
 - Review board of experts within the company to evaluate strategic business fit
 - Due diligence



STRENGTHEN INNOVATION – EXAMPLE P&G

The "Connect + Develop" program allows P&G to interact with a broad range of external parties

Parties involved



- > Open innovation can vary in the **number and the nature of partners**:
 - From opening business units and services inside a firm...
 - ... to a specified external actor...
 - ... to multiple defined external actors...
 - ... to non defined external actors
- > **New types of actors** have appeared: **knowledge brokers**, such as Innocentive, who aim to create a relationship among parties and offer a framework (tools, platforms, methodology, etc.)

STRENGTHEN INNOVATION – EXAMPLE P&G

In order to work, open innovation requires a dedicated organization, tools, skills and governance – and the investment to build it up

Characteristics of successful open innovation



ROLE

- > Need of **executive sponsor** to support the development
- > **New role of headquarters** – must be able to manage the process of seeking for innovation
 - **Detect appropriate partners** and recruit multi-skills profiles
 - **Identify knowledge and innovations** that matter
 - **Manage a portfolio** of ideas (more than feed the portfolio) and centralize a vision
 - **Make decisions** in developing and exploiting innovation activities

STRUCTURE & PROCESSES



- > Integrating knowledge requires to clearly define the firm's innovation process and to identify which steps are to be open
- > Consistent processes must be applied by management team to make sure innovation is properly tracked
- > Open innovation must include relevant KPIs to monitor the level of inputs and outputs, quality of process, i.e. the general performance of the organization

OPEN INNOVATION

- > Open innovation initiatives need **appropriate tools** to favor collaboration:
 - **Simple and flexible tools (platforms, social media, etc.)** to stimulate, communicate and collect ideas
 - **Actors and services** to create and monitor the relationship (brokers, service providers, etc)
- > The **governance and the role of each actor** in the process has to be stated clearly

- > The **new paradigm of sharing** has to be embraced by employees (against the "not invented here syndrome")
- > **Change management** has to be put in place, through strong sponsorship, communication campaign, new job description and personal objectives, training programs
- > **Culture and motivation systems** must be redesigned so that actors, internal and external, are expected and rewarded by the fee exchange of ideas across entities, divisions and geographies



SYSTEMS & TOOLS

PEOPLE



STRENGTHEN INNOVATION – EXAMPLE P&G

Open innovation leverages external resources – Significant investments necessary, and no substitute for inhouse innovation

WHAT OPEN INNOVATION IMPROVES...

ENHANCED INNOVATION CAPACITIES:

- > A direct and probably most intuitive effect is the **increase of innovation projects** and the improvement of their success rate, thanks to an increased number of ideas and **overall stimulation of partners**
- > Companies with robust OI capabilities appear to be **7 times more effective** in terms of **generating return on R&D projects**

SHORTER TIME-TO-MARKET:

- > **More interactions** with the stakeholders (suppliers, clients...) allow to get a final product on a shorter time

IMPROVED IP PROTECTION:

- > A collaborative context requires a **clarification of the rules** from the beginning, thus **minimizing the risks of thefts**

LEVERAGED R&D INVESTMENT :

- > **Costs and risks sharing** are a direct consequence of OI, but also **new sources of revenues** through the sale of knowledge which would have lead to nothing to external actors

...AND WHAT IT DOES NOT

NO FREE LUNCH :

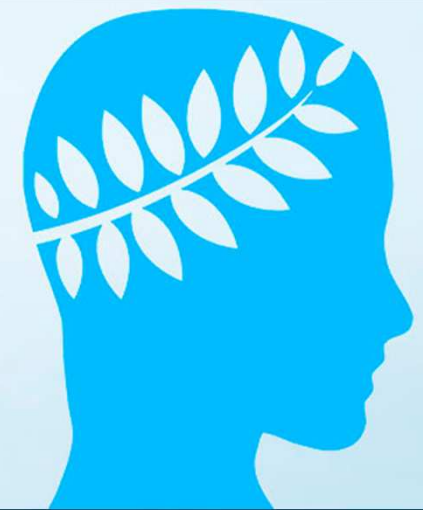
- > **Significant investments in terms of tools** has to be made in order to successfully implement OI, thus mitigating potential savings at least at first
- > Besides, **new skills are required** for the firm to manage the new framework of the Open Innovation way

NO SUBSTITUTE FOR INHOUSE INNOVATION:

- > Opening the frontiers does not mean refraining from maintaining internal skills – a firm should **rely on external innovation to complete its strengths**, not to replace them

WORK IN GLOBAL NETWORKS – EXAMPLE CISCO

After the dot.com boom, Cisco enforced global collaboration through a major reorganization



PROFILE

- > Industry: Networking equipment
- > Employees 2012: 66,639
- > Revenue 2012: EUR 46.1 bn



DIMENSIONS COVERED

- > Role
- > Structure & processes
- > Systems & tools
- > People

RESULTS

- > Cisco can pursue many new opportunities through higher degree of global collaboration
- > Cisco is more flexible in decentralized decision making

APPROACH FOR

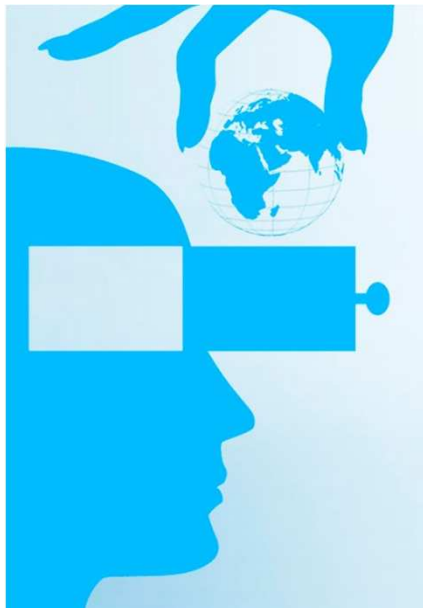
- > Large multinational companies

BACKGROUND

- > After the dot.com boom in 2001 Cisco's CEO John Chambers began to question the "cowboy" mentality of its company
- > His major intention was to break with the historic silo structure and thinking and follow a more collaborative approach

APPROACH: ENFORCING COLLABORATION

- > Enforce global collaboration through major reorganization by aligning
 - Management role from "Command-and-control" to collaborative management style
 - Structure from business unit "silos" to cross-functional bodies linking the organization
 - Incentive systems from rewarding individual to rewarding group performance
 - Work processes from "face-to-face" interactions to high usage of new communication technologies
 - Competence model to support collaborative behavior



WORK IN GLOBAL NETWORKS – EXAMPLE CISCO

Moving toward a collaborative approach means changing major elements of the old Cisco world

Reorganization

FROM AN INDIVIDUAL...

- > "Command-and-control" management style

- > Business unit "silos"

- > Incentive system rewarding individual performance only
- > Low usage of virtual communication technologies

- > Hierarchical leadership skills

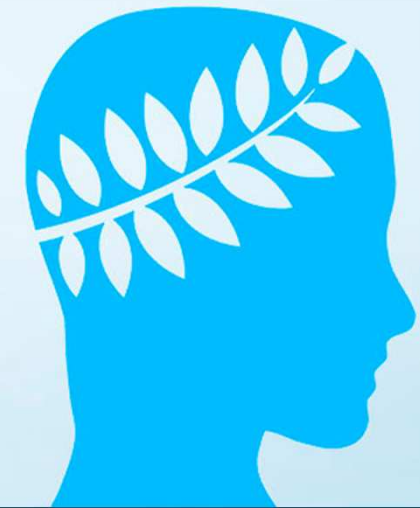
...TO A COLLABORATIVE APPROACH

- > Collaborative management style
 - involving others in decision making
 - listening to ideas,
 - finding common ground

- > Functional organization with two layers of cross-functional groups on top, each fostering collaboration and pursuing cross-functional opportunities
- > Definition of consistent collaboration processes

- > Incentive scheme also measuring group performance
- > High usage of high-definition video conferencing system – 4,000 times a week
- > Other enterprise 2.0 technologies

- > Redefinition of skill sets towards collaborative leadership style



ROLE



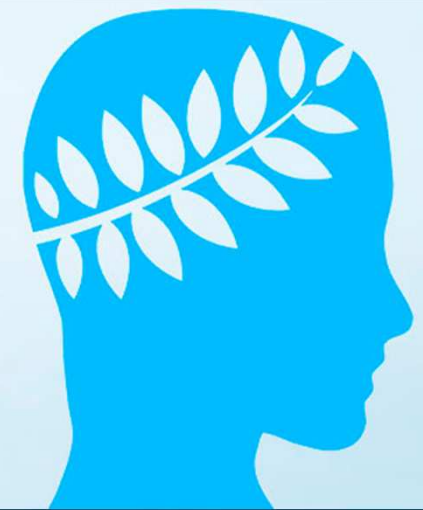
STRUCTURE & PROCESSES



SYSTEMS & TOOLS



PEOPLE

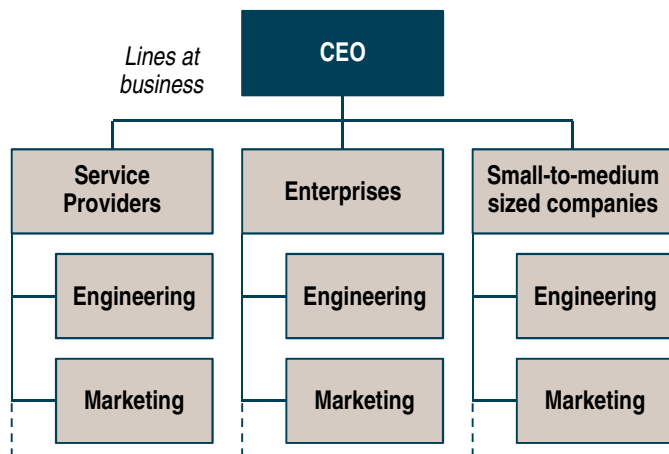


WORK IN GLOBAL NETWORKS – EXAMPLE CISCO

Adopting a matrix organizational model allows balancing functional and cross-functional interests

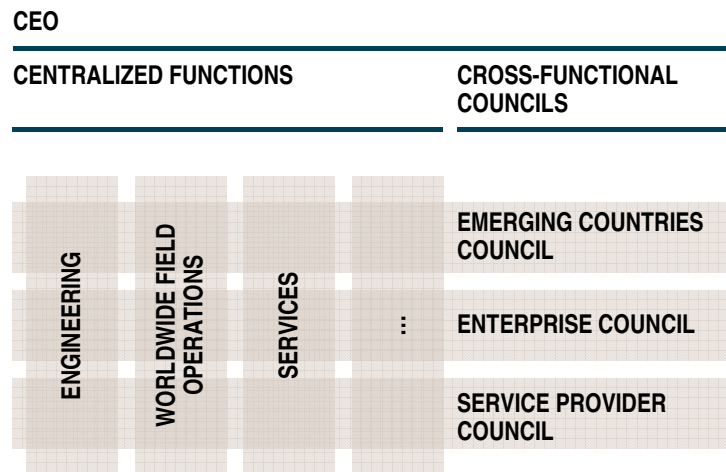
Organizational model

DIVISIONAL MODEL UNTIL 2001



- > On the first level Cisco is split in a customer-centric way with three lines of business: Service providers, enterprises and small-and-medium-sized companies
- > Presidents of the three lines of business directly report to the CEO

MATRIX MODEL AFTER TRANSFORMATION



- > **Matrix structure** with functional split
 - Worldwide Field Operations organized into three geographic regions
 - Services organized around key customer segments
 - Engineering organized functionally across five company priority areas
- > **Three Councils** serve to strengthen the connection between strategy and execution across functional groups

DEVELOPMENT SINCE 2001

- > Divisional organization was broken up in 2001 and organized mainly in cross-functional councils (up to 12) and boards reporting to this councils (over 40)
- > This new model strongly enabled cross-functional collaboration, but with the time was criticized as being "bureaucratic" and "inefficient"
- > In 2011 Cisco announced a reorganization reducing the number of councils to three: Enterprise, service provider and emerging countries
- > To reduce the number of touch points and interlocks boards were again absorbed into their respective functions

WORK IN GLOBAL NETWORKS – EXAMPLE CISCO

The Architecture Center of Excellence epitomizes Cisco's approach to interconnecting functions and regions

Center of Excellence

GOAL

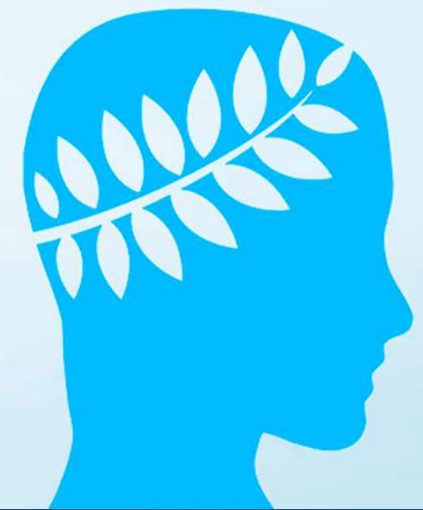
- > Create a bridge between siloed architecture experts and customer-facing staff in diverse groups and regions across Cisco
- > Provide sales engineers, account representatives, and other customer-facing groups with the information they need to position Cisco solutions and services
- > Share knowledge, communicate and collaborate more effectively

CHALLENGES

- > Architects work in functional or regional silos
- > Multiple content repositories and systems
- > Information overload, making it difficult to know what information is important or relevant
- > Over-exposure, exacerbating time constraints. Being identified as an expert and contacted frequently makes it difficult for the best architects to get their work done efficiently

APPROACH

- > Systems
 - A single workspace (community) focused on sharing information (including documents, files, and videos) about architecture
 - Intelligent content stream
 - Customizable home page/dashboard
 - Ability to post original ideas or ask questions
- > Processes
 - Making contribution to the global community an integral part of being an architect at Cisco
 - Providing incentives for participation through rewards and recognition for sharing and collaboration
- > Culture
 - Willingness of subject matter experts to share knowledge
 - Recognition for sharing knowledge in the virtual community
 - Acceptance of ideas from non-traditional sources

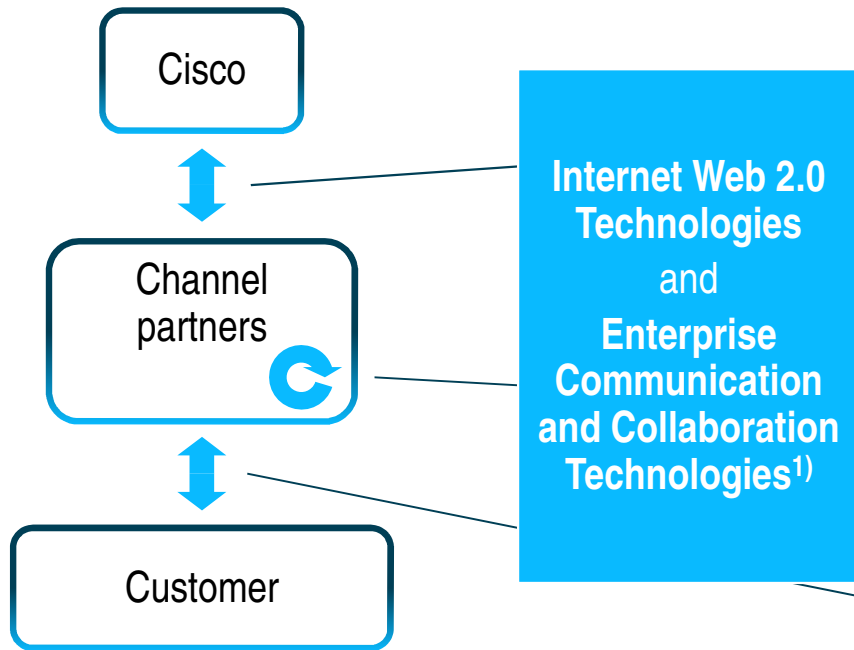


WORK IN GLOBAL NETWORKS – EXAMPLE CISCO

Cisco shows how new technologies can be effectively used to collaborate with its sales partners and customers

Next frontier in collaboration

SALES CHANNEL



COLLABORATION OPPORTUNITIES

Cisco to Partners

- > "Always-on" tradeshow to keep partners informed about products and services
- > Reachability of system engineers

Partner to Partners

- > Identify other partners to extend business (e.g. geographically or in expertise)

Partner to Customer

- > Integrating customers into collaboration as a sales tool

BACKGROUND

- > Portfolio of products and services is growing and changing significantly
- > Specialized knowledge is increasingly demanded, but experts are not always available
- > Customers are increasingly global

RESULTS

- > Improved availability and productivity of the most sought-after experts (e.g. system engineers)
- > Increase in partner-facing time
- > Decrease in travel expenses
- > Increase in sales

1) See next page

WORK IN GLOBAL NETWORKS – EXAMPLE CISCO

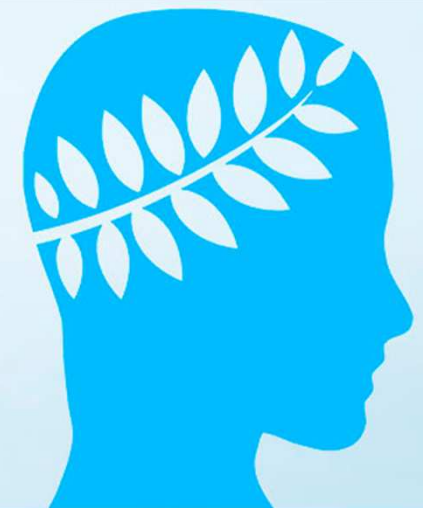
**A broad range of internet and communication technologies enable collaboration in global networks
– Key driver of Cisco's business model**

Internet and communication technologies

	COMMUNICATE	CONNECT	COLLABORATE	LEARN
Internet Web 2.0 Technologies	<ul style="list-style-type: none"> > Blogs > Casual Editing > RSS Consumption > RSS Creation > Podcasts > UI3.0, UI3.1 > Enterprise News 	<ul style="list-style-type: none"> > Directory-Expertise > Directory-Profile > Social Bookmarking 	<ul style="list-style-type: none"> > WebEx > Directory-Groups > Discussion Forums > Wikis > Tagging > C-Vision 	<ul style="list-style-type: none"> > Ciscopedia > CCoE
Enterprise Communication and Collaboration Technologies	<ul style="list-style-type: none"> > Live Broadcast > VOD > CUVA/personal video > Email > Voice Mail > Instant Mesg. 	<ul style="list-style-type: none"> > TelePresence > B2B IP Video Conferencing > CUPC 	<ul style="list-style-type: none"> > Meeting Place > WebEx and WebEx Connect > Video Conferencing > Newsgroups 	<ul style="list-style-type: none"> > E-Learning

ENSURE EXECUTION – EXAMPLE MERCK

In 2005 Merck installed a strategy management infrastructure to implement its "Plan to win" strategy



PROFILE

- > Pharmaceuticals
- > Employees 2011: 86,000
- > Revenue 2011: USD 48 bn



DIMENSIONS COVERED

- > Role
- > Structure & processes
- > Systems & tools
- > People

RESULTS

- > Secured implementation process across all regions and organizational units
- > Active initiative portfolio management

APPROACH FOR

- > Companies with major strategy to be implemented

BACKGROUND

- > In 2005 new CEO recently appointed
- > New strategy "Plan to Win" defined impacting multiple divisions and support function across the entire value chain
- > Major change across the company required

APPROACH: STRATEGY REALIZATION OFFICE

- > Set up infrastructure for overall coordination and management
- > Set up reporting process for initiatives across all functions and geographies
- > Manage initiatives actively and mitigate risks

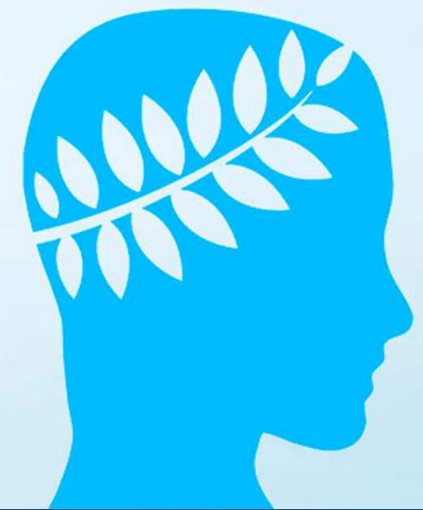


ENSURE EXECUTION – EXAMPLE MERCK

The Strategy Management Infrastructure Office transforms the strategy into objectives, actions and initiatives

Role

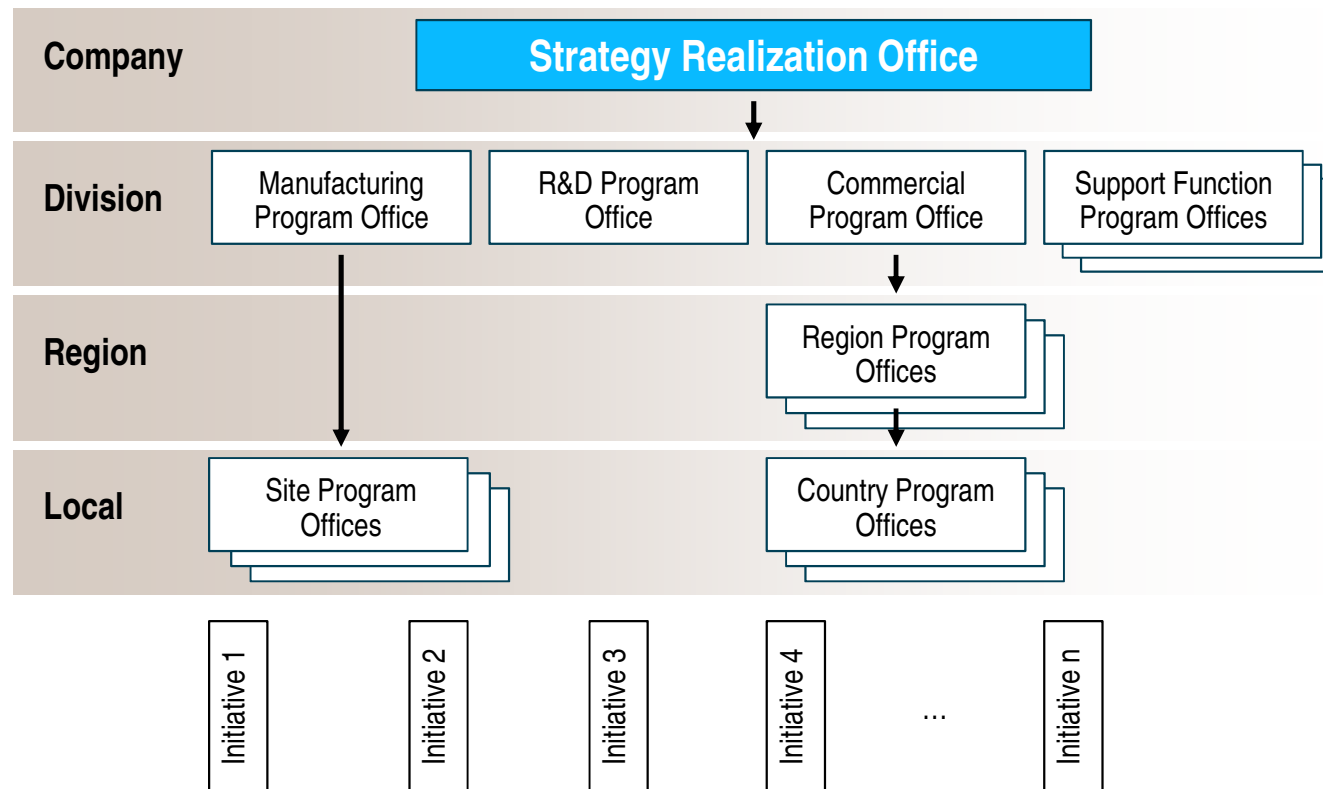




ENSURE EXECUTION – EXAMPLE MERCK

The Strategy Realization Office is an internal service provider in the implementation process – Focus on coordination and support

Structure



MAIN ROLES STRATEGY REALIZATION OFFICE

Intent Architect

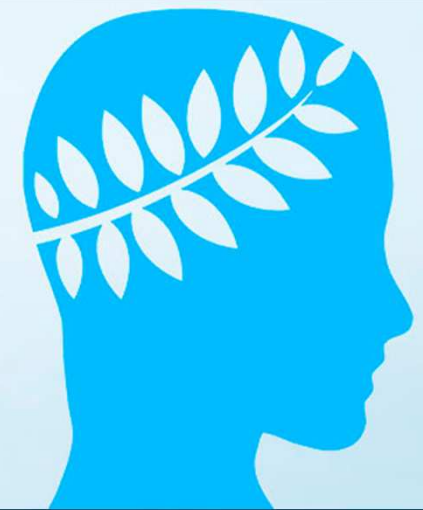
- > Ensures clarity and integrity of strategic intent.
- > Develops and monitors outcome measures derived from the strategic intent.

Delivery Manager

- > Develops, maintains, and manages an integrated transformation plan
- > Designs and ensures smooth functioning of governance processes

Change Manager

- > Understands the "people" impacts of the transformation
- > Assesses the readiness and capacity of impacted organizations to productively absorb specific changes
- > Develops and implements plans to prepare impacted groups



ENSURE EXECUTION – EXAMPLE MERCK

Setting up process monitoring allows companies to actively manage strategy implementation

Process

Initiative Status as of xx/yy/zz		
Intent	Clarity	●
	Alignment	●
	Solution	●
	Enrollment	●
	Integrity	●
	Sponsorship	●
People	Capacity	● →
	Culture	●
	Resistance	●
	Synergy	●
Delivery	Oversight	●
	Portfolio	●
	Critical Path	●
	Resources	●
	Partnerships	●

	RISK	MITIGATION
Capacity	Description of the risk	Mitigating actions
	> Bi-weekly or monthly cycle	
	> Requires a shift toward a "red is good" mindset	
	> Complemented by bi-monthly scorecard reviews	

Realization Indicators

Indicator A	●
Indicator B	●
Indicator C	●

Installation Indicators

Milestone D	●
Milestone E	●
Milestone F	●

- > Initiative responsibilities report the status bi-weekly or monthly
- > Status reports allows for active risk management of initiative portfolio
- > Effective reporting requires a change toward a "red is good" mindset
- > Status indicators serve as an enabler for a solution-oriented discussion

ENSURE EXECUTION

Defining program structures and processes, measuring progress and involving the whole organization is key to success

Success factors



STRUCTURE & PROCESSES

- > Define governance model and organization of the program
- > Stretch program across entire organization, i.e. every business and every employee is required to cooperate
- > Involve internal as well as external units as suppliers and distributors

SIZE



- > Allocate dedicated resources to implementation management

PROGRAM MANAGEMENT

- > Define tough measurable targets with direct career implications, positive and negative implication
- > Define and initiate reporting/controlling process
- > Install project management tool to establish transparency over program process and possible threats

- > Establish change management/communication strategy
- > Train employees to build up desired skill sets
- > Enforce consequences for individuals not supporting the overall program



SYSTEMS & TOOLS

PEOPLE





D.

Invitation –
Start your own
action plan now!

Our exclusive offer to you: Meet us at a workshop to discuss your individual benchmarking results



Exclusive corporate headquarters workshop

WORKSHOP AGENDA

- A.** Goals of the workshop
- B.** Current challenges
- C.** Benchmarking results
- D.** First levers for optimization
- E.** Next steps

OFFER

DURATION

- > 2-3 hours (depending on scope)

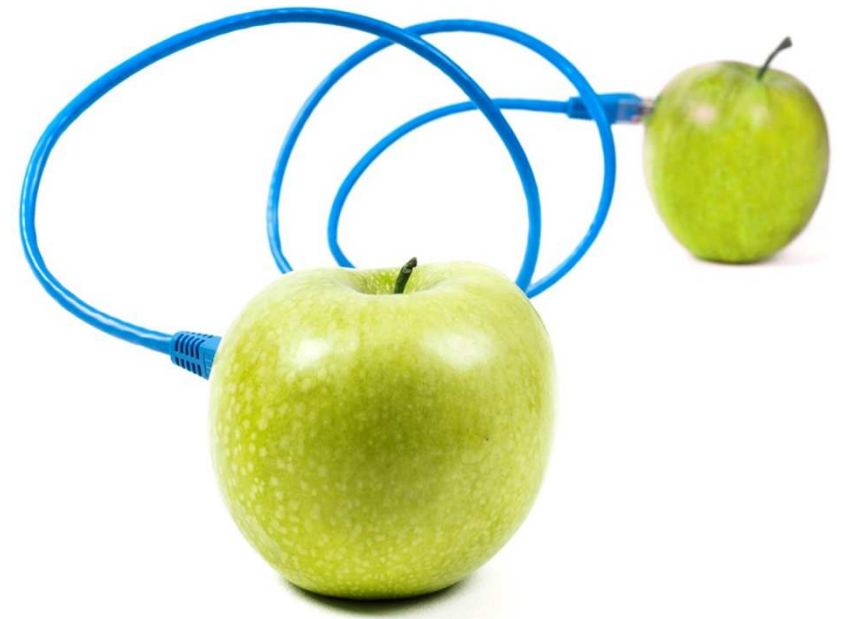
PARTICIPANTS

- > CEO/CFO
- > Selected corporate HQ representatives
- > etc.

Comparing apples with apples – Our overhead benchmarking approach is based on five key success factors

Overhead benchmarking approach

- 1 Quality of data**
Base analysis of consistent and accurate database
- 2 Clear scoping**
Define homogenous benchmarking units
- 3 Focus**
Concentrate on few significant parameters (2-3 max.)
- 4 Meaningful panel**
Select benchmarking partners carefully (industry, across industries)
- 5 Step further**
Use benchmark as starting point to ask the right questions



Taking into account time series analysis, external benchmarking and expert opinions, we identify top-down cost reduction potential

Benchmarking techniques

TIME SERIES ANALYSIS

- > Consideration of time dependent development of relevant cost types
- > Identification of best practice over time for appropriate operating figures
- > Evaluation of performance and potential on the basis of best practice examples

EXTERNAL BENCHMARKING

- > Identification of suitable benchmarks from our extensive database varying in
 - Industry
 - Company size
 - Management concept
 - Business model
 - etc.
- > Evaluation of focus functions with in-depth analysis on a subfunctional level

EXPERT OPINION

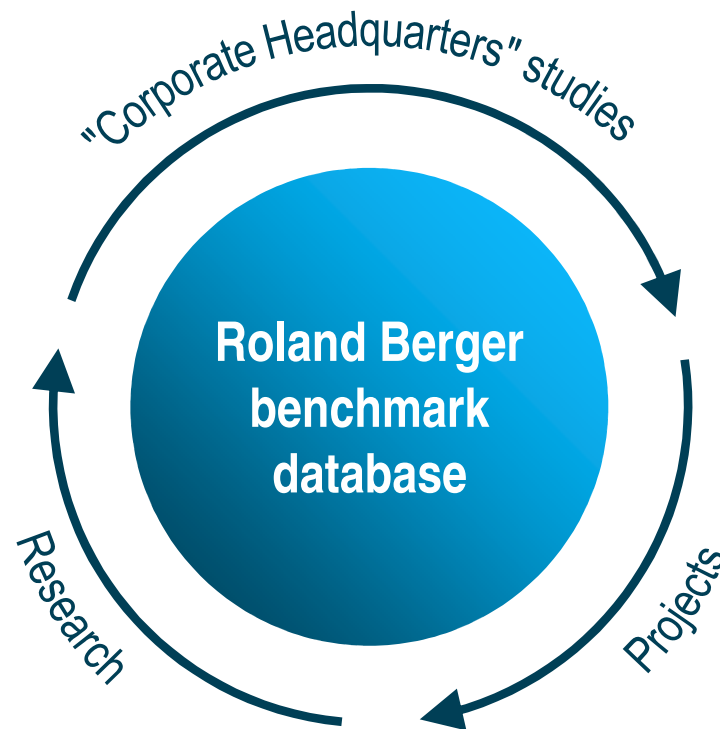
- > Top-down analysis of selected cost types by external and internal experts

First top-down estimate of cost reduction potential

For each specific benchmark analysis, we refer to our database of more than 350 companies



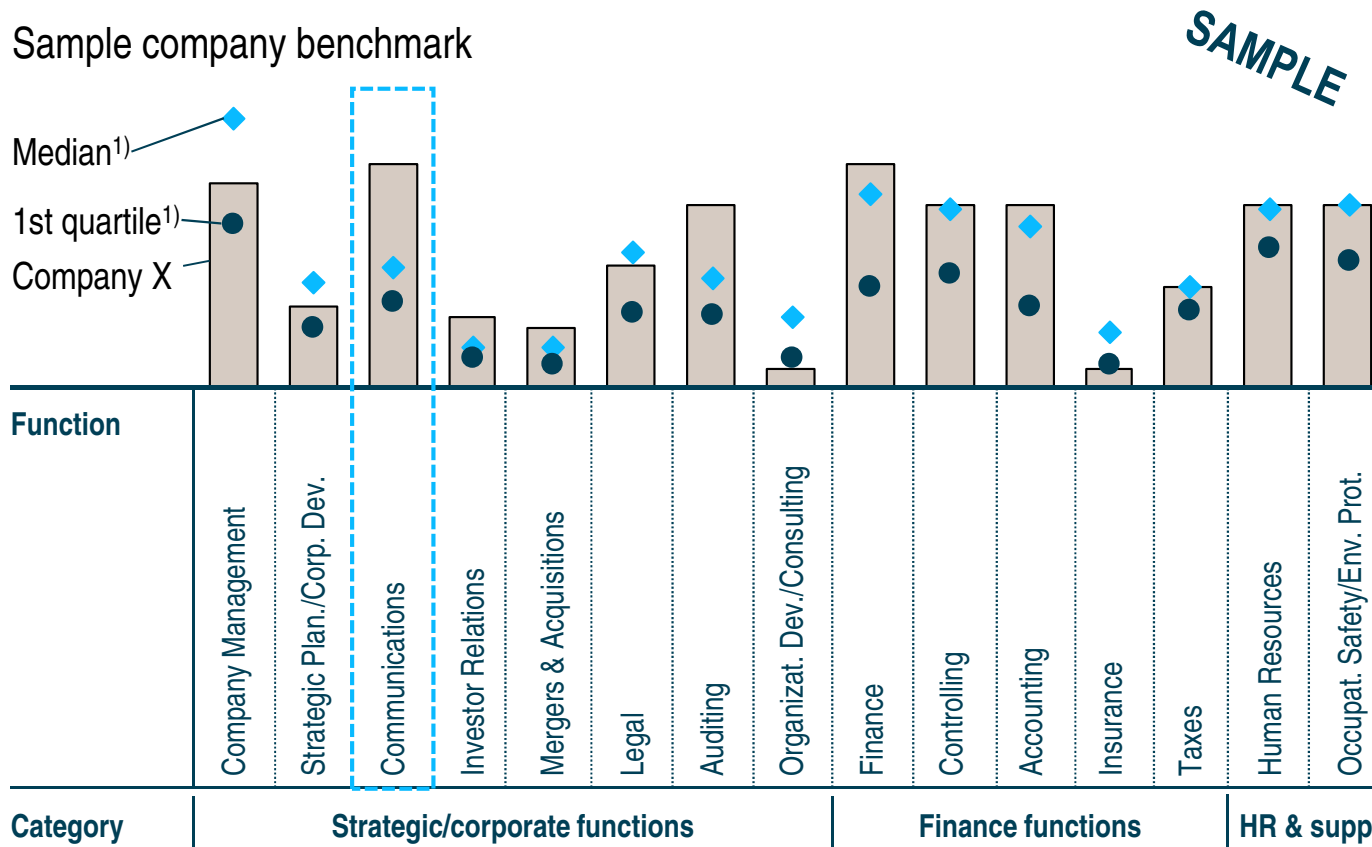
Data origin and customization



- > **More than 350 companies** across all industries based on projects and studies
- > **Customization by cluster**
 - Size (headcount)
 - Industry
 - Management concept
- > **Benchmarking of individual functions**
 - Distribution by corporate center and shared services
 - Consideration of the degree of centralization
 - Consideration of the degree of outsourcing
 - Addition of a "detailed view" at the level of subfunctions



Benchmarking against a carefully selected panel and further discussion help estimate top-down potential



METHOD

- > Function specific benchmarking based on full time equivalents (FTE)
- > Fine-tuning of the panel selection as essential key for appropriate benchmarking values

RESULT

- > Rough estimate of top-down potential
- > Focus functions define starting point for further analysis

1) FTE adjusted to total employees "Company X" Focus for further analysis

Visit us online at www.corporateheadquarters.de



- > Regular new studies, presentations, etc. on all aspects of organization, management and benchmarking
- > Presentation of general study findings
- > Easy to navigate through quick links
- > Portal for subsequent editions of the study

To identify the latest trends, Roland Berger continuously conducts high-quality research and publishes studies in relevant areas

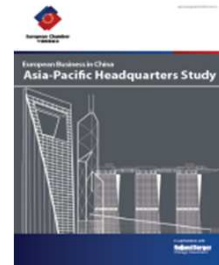
Recent studies and publications



Corporate Headquarters
2005, 2008, 2010, 2012



Market expansion
services, 2011



Asia-Pacific HQ Study,
2011



Shared services and
competence centers for
insurers, 2012



The Role of Chief Strategy
Officers, 2011



Purchasing Excellence
1999, 2003, 2009, 2011



Operations Efficiency Radar,
2012



Economic scenario,
2013



Restructuring study
international, 2012



Shared Service Centers
cut costs, 2012



Appendix

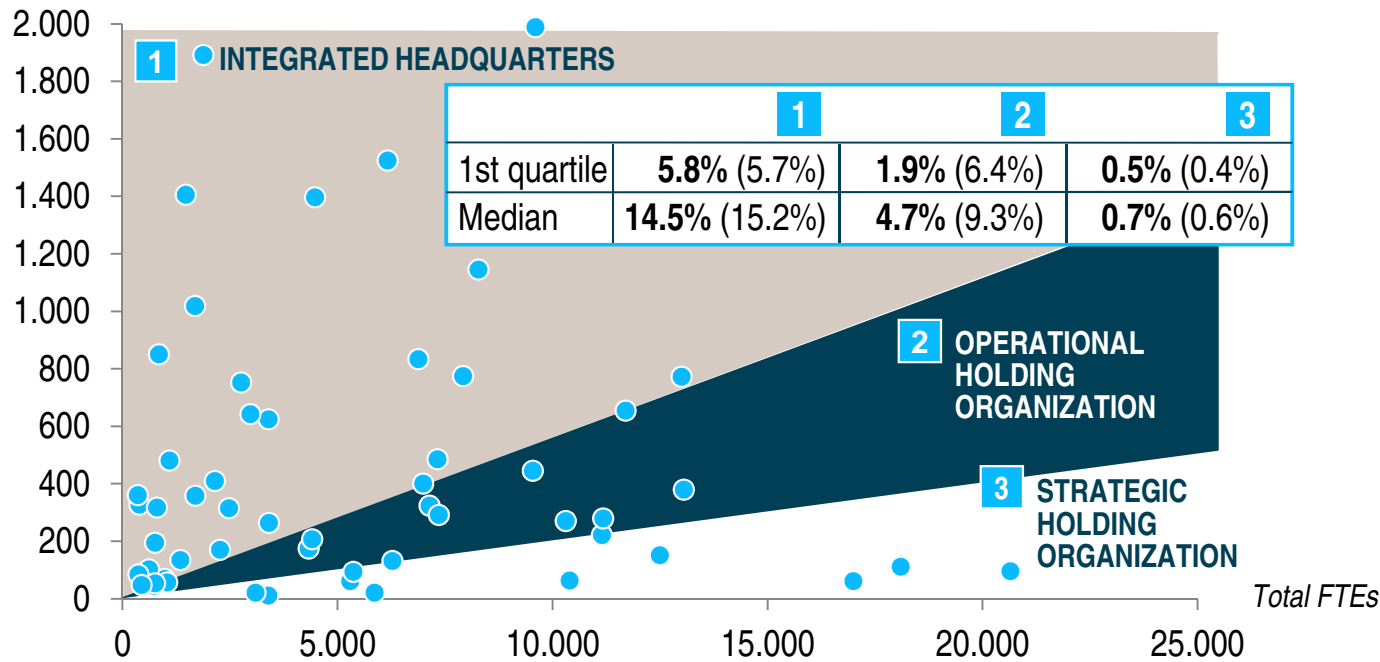
Corporate headquarters by the numbers



We constantly benchmark corporate headquarters FTEs – Company size and underlying management concept are the main drivers

Cluster: ≤ 25,000 total FTEs; ≤ 2,000 FTEs in corporate headquarters

FTEs in corporate centers

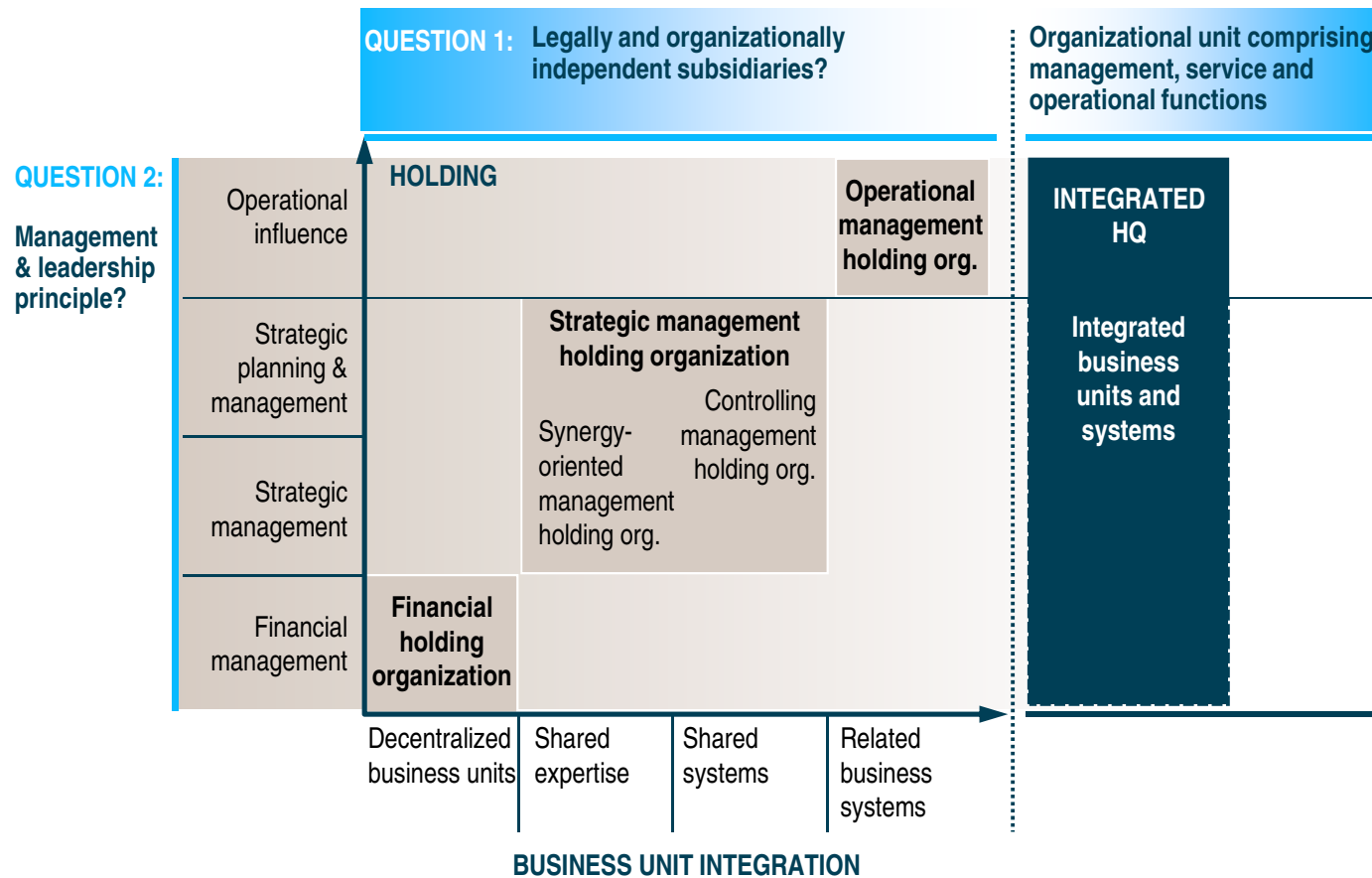


● 1 company (...) = findings from study "Corporate Headquarters 2010"

> The total size of the company and its management concept determine the relative size of corporate headquarters



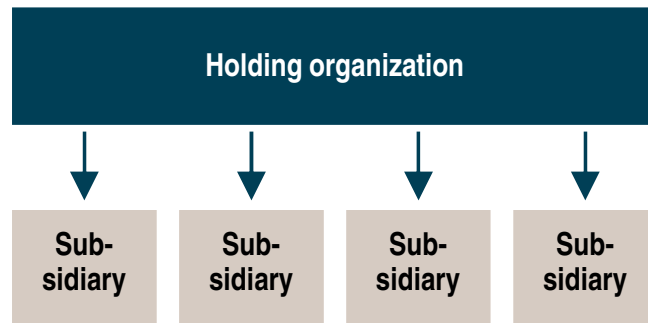
The management concept is defined by the management principle and the degree of business unit integration



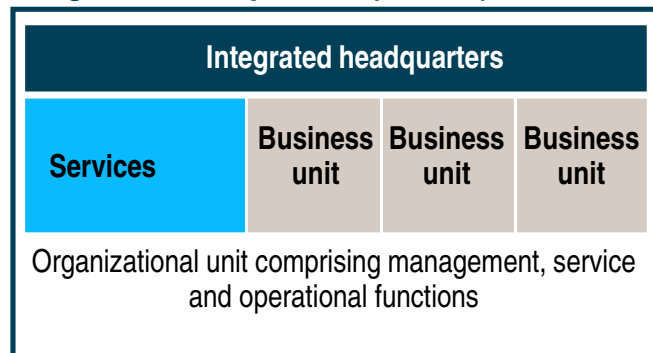
> For definitions of "holding" and "integrated HQ" see next page

Definition of holding organization and integrated headquarters

Holding organization (outline)



Integrated headquarters (outline)



CHARACTERISTICS

- > **There are two levels** in a holding organization: corporate headquarters and several legally and organizationally independent subsidiaries
- > The **operational business** (production, operations, etc.) takes place in the **subsidiaries**
- > **P&L responsibility** normally lies with the **subsidiaries**
- > It is important to **differentiate** between **holding organization** and **"holding" as a legal term** (a holding organization can also exist within a single legal entity)

CHARACTERISTICS

- > In the case of integrated headquarters, **management, service and operational tasks are integrated** in the corporate headquarters
- > The management exercises a **strong influence** on the **operational business** of its business units (high degree of centralization)
- > **P&L responsibility** normally lies with the **corporate headquarters**
- > The integrated headquarters makes its own **contribution to the company's profit** by offering services to the external market

Management concept, company size and industry segment determine the relative size of the corporate headquarters



		INTEGRATED HEADQUARTERS	OPERATIONAL HOLDING ORG.	STRATEGIC HOLDING ORG.
Average size of company¹⁾ [number of employees]		14,432 (13,604)	11,992 (19,197)	35,123 (67,460)
Median relative size of corporate headquarters [%]	CC¹⁾	14.5 % (15.2 %)	4.7 % (9.3 %)	0.7 % (0.6 %)
	CC+SSU²⁾	20.3 % (17.1 %)	6.0 % (9.9 %)	1.7 % (1.6 %)
Average number of operational units [%]	1-3:	32%	21%	33%
	4-7:	39%	42%	43%
	>7:	29%	37%	24%

- > Relative size of corporate center and shared services mainly influenced by management concept
- > Strategic holding with smallest operational influence and thus small relative size of corporate headquarters
- > Integrated headquarters with integrated business units and systems and large headquarters

Basic criteria for further calculations

(...) = Findings from study "Corporate Headquarters 2010"

1) Corporate center only. i.e. without shared services

2) Corporate center and share services

Benchmark overview by size and management concept – Comparison of corporate centers in 2012 and 2010

Relative size of corporate headquarters (corporate center only)¹⁾ [%]

	Size (Total employees)	0-5,000	5,000-25,000	25,000-50,000	>50,000	Total ²⁾
Integrated headquarters	1st quartile	12.1 (6.9)	5.2 (4.8)	1.9 <i>Insufficient data</i>	4.1 <i>Insufficient data</i>	5.8 (5.7)
	Median	23.7 (20.9)	11.0 (10.2)	2.1 <i>Insufficient data</i>	5.1 <i>Insufficient data</i>	14.5 (15.2)
Operational holding	1st quartile	6.7 (9.3)	1.8 (7.9)	4.1 (4.9)	<i>Insufficient data</i> <i>Insufficient data</i>	1.9 (6.4)
	Median	16.7 (12.2)	2.5 (9.4)	4.3 (5.1)	<i>Insufficient data</i> <i>Insufficient data</i>	4.7 (9.3)
Strategic holding	1st quartile	<i>Insufficient data</i> (0.8)	0.5 (0.5)	0.5 (0.5)	0.2 (0.3)	0.5 (0.5)
	Median	<i>Insufficient data</i> (1.1)	1.0 (0.8)	0.7 (0.7)	0.5 (0.5)	0.7 (0.6)
Total (by size cluster)	1st quartile	7.5 (5.8)	1.0 (0.8)	0.9 (0.7)	0.3 (0.4)	1.6 (0.7)
	Median	22.8 (12.5)	2.5 (4.4)	2.1 (1.4)	0.6 (0.6)	5.6 (4.5)

- > Median and 1st quartile define range of lean headquarters
- > Due to economies of scale the relative size of headquarters diminishes with increasing company size
- > Exception integrated headquarters with >50,000 FTE – This can be explained with the industry influence (mainly financial services) in this segment

(...) = Findings from study "Corporate Headquarters 2010"

1) Excluding shared services 2) Total (by management concept)

Benchmarking overview by size and management concept – Comparison of corporate center and shared services



Relative size of corporate headquarters (corporate center with/without shared service units)
[%]

	Size (Total employees)	0-5,000	5,000-25,000	25,000-50,000	>50,000	Total ¹⁾
Integrated headquarters	1st quartile	15.3 (12.1)	9.8 (5.2)	2.5 (1.9)	4.1 (4.1)	6.9 (5.8)
	Median	26.4 (23.7)	37.1 (11.0)	3.5 (2.1)	5.1 (5.1)	20.3 (14.5)
Operational holding	1st quartile	7.8 (6.7)	4.0 (1.8)	5.1 (4.1)	Insufficient data	4.1 (1.9)
	Median	18.6 (16.7)	5.3 (2.5)	5.4 (4.3)		6.0 (4.7)
Strategic holding	1st quartile	Insufficient data	1.5 (0.5)	0.7 (0.5)	0.2 (0.2)	1.2 (0.5)
	Median		1.7 (1.0)	1.1 (0.7)	3.4 (0.5)	1.7 (0.7)
Total (by size cluster)	1st quartile	10.2 (7.5)	1.9 (1.0)	1.6 (0.9)	0.3 (0.3)	3.1 (1.6)
	Median	27.3 (22.8)	5.3 (2.5)	3.5 (2.1)	3.1 (0.6)	7.0 (5.6)

- > The use of shared services can be observed across all size and management concept clusters
- > In smaller sized companies the relative influence is the highest

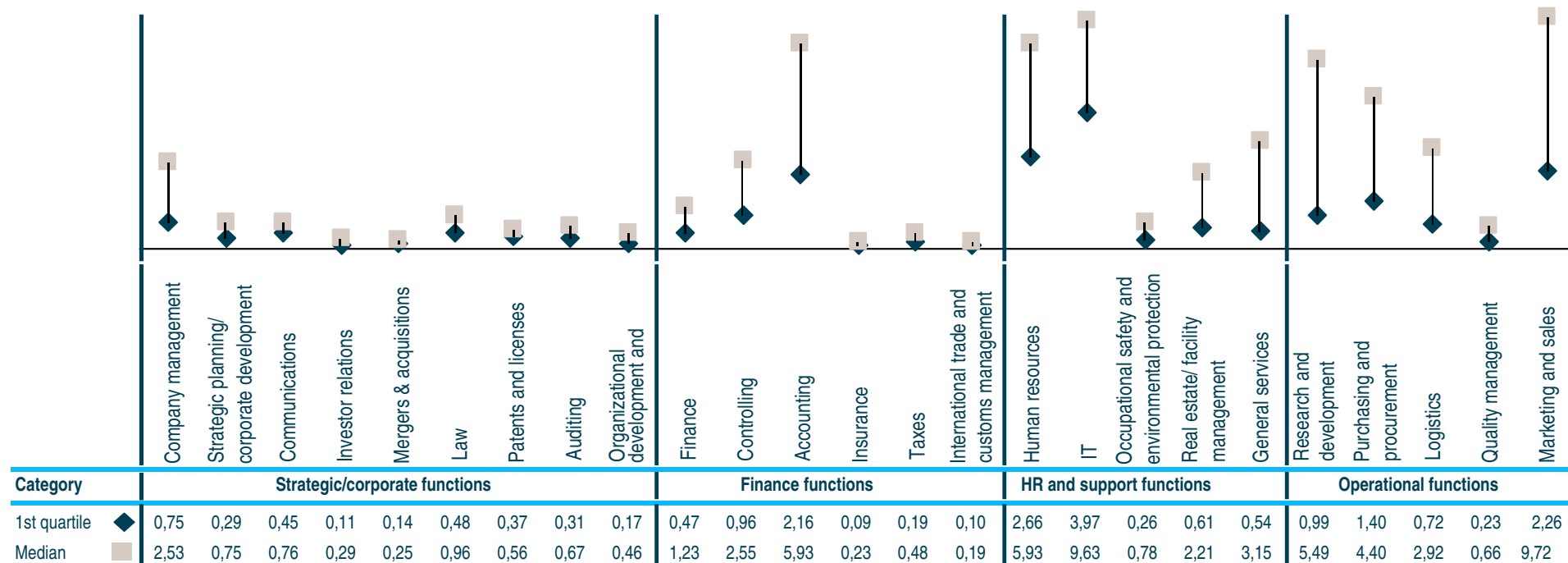
... = Corporate center **including** shared service units
 (...) = Corporate center **excluding** shared service units

1) Total (by management concept)

Benchmark overview for all study participants – Degree of homogeneity varies by functional cluster

Relative size of function [%] – Corporate center and shared services

Figures for all participating companies



BACKUP

Benchmarking overview by company size

Relative size of function [%] – Corporate center and shared services

Clusters [employees]	Corporate functions	Strategic/corporate functions									Finance functions					HR and support functions					Operational functions					
		Company management	Strategic planning/corporate development	Communications	Investor relations	Mergers & acquisitions	Legal	Patents and licenses	Auditing	Organizational development and	Finance	Controlling	Accounting	Insurance	Taxes	International trade and customs management	Human resources	IT	Occupational safety and environmental protection	Real estate/facility management	General services	Research and development	Purchasing and procurement	Logistics	Quality management	Marketing and sales
< 5,000	1st quartile	3.36	1.80	0.88	0.54	0.44	1.01	0.98	0.83	1.53	2.29	4.42	7.87	0.62	0.89	0.50	5.89	9.33	1.11	2.20	4.57	10.03	4.40	2.71	4.54	10.19
	Median	7.70	5.92	2.84	0.77	0.73	3.24	1.72	2.21	4.01	4.24	7.52	13.02	2.70	1.48	0.56	10.64	12.90	2.58	4.03	9.73	30.07	8.33	26.44	13.96	42.50
5,000-25,000	1st quartile	0.83	0.34	0.54	0.14	0.21	0.63	0.36	0.31	0.29	0.57	0.76	1.99	0.10	0.14	0.08	1.56	1.72	0.18	0.45	0.39	1.07	0.79	0.35	0.28	1.35
	Median	1.46	0.57	0.73	0.34	0.35	0.96	0.52	0.58	0.93	1.06	2.11	4.63	0.18	0.52	0.14	4.53	7.06	0.44	1.63	0.82	2.34	1.91	0.85	0.55	5.71
25,000-50,000	1st quartile	0.50	0.24	0.33	0.09	0.03	0.35	1.01	0.30	0.11	0.24	0.61	1.17	0.04	0.27	0.05	1.70	1.05	0.29	0.44	0.45	0.32	1.00	0.34	0.17	0.13
	Median	0.70	0.42	0.40	0.12	0.13	0.43	1.55	0.42	0.20	0.28	1.18	2.10	0.05	0.28	0.12	3.60	4.05	0.50	0.68	0.65	0.79	1.38	0.40	0.33	1.78
> 50,000	1st quartile	0.21	0.19	0.20	0.04	0.15	0.13	0.06	0.17	0.03	0.25	0.19	0.20	0.22	0.18	0.29	0.26	0.23	0.03	0.53	0.36	0.66	0.14	Insufficient data	0.02	0.07
	Median	0.26	0.26	0.46	0.06	0.15	0.69	0.37	0.39	0.08	0.44	0.31	1.90	0.35	0.28	0.39	3.42	13.49	0.13	0.98	1.03	1.16	0.65		0.02	0.11
Category		Strategic/corporate functions									Finance functions					HR and support functions					Operational functions					

1) Small population

BACKUP

Benchmarking overview by industry sector

Relative size of function [%] – Corporate center and shared services

Clusters [employees]		Corporate functions									Finance functions						HR and support functions					Operational functions				
		Company management	Strategic planning/ corporate development	Communications	Investor relations	Mergers & acquisitions	Legal	Patents and licenses	Auditing	Organizational development and	Finance	Controlling	Accounting	Insurance	Taxes	International trade and customs management	Human resources	IT	Occupational safety and environmental protection	Real estate/facility management	General services	Research and development	Purchasing and procurement	Logistics	Quality management	Marketing and sales
Trade	1st quartile	0.34	0.17	0.23	0.09	0.10	0.34	0.56	0.17	Insufficient data	0.18	0.27	1.33	0.25	0.18	0.56	0.74	1.98	0.25	0.53	0.49	Insufficient data	0.21	0.33	0.48	4.89
	Median	0.63	0.21	0.25	0.10	0.11	0.39	0.56	0.21		0.22	0.70	5.03	0.26	0.21	0.56	2.40	5.51	0.34	0.86	0.80		0.29	1.63	0.54	11.58
Services	1st quartile	1.31	0.54	0.63	0.34	0.43	1.01	2.31	0.72	0.32	1.13	2.57	4.26	0.65	0.27	Insufficient data	4.84	4.22	0.49	0.54	0.24	0.48	1.90	0.97	0.30	5.70
	Median	3.75	1.59	1.02	0.50	0.90	2.03	2.31	1.54	1.16	2.88	4.42	10.22	0.74	0.84		6.89	18.20	0.85	3.18	2.19	2.24	3.28	1.32	0.55	35.40
Producing and Manuf.	1st quartile	0.79	0.36	0.46	0.06	0.14	0.46	0.36	0.30	0.11	0.57	0.94	1.64	0.09	0.23	0.09	1.52	4.11	0.19	1.14	0.58	1.21	1.50	1.15	0.19	1.67
	Median	1.84	0.82	0.75	0.15	0.20	0.83	0.56	0.57	0.42	1.12	2.40	4.97	0.13	0.45	0.19	5.93	9.63	0.69	2.48	4.47	5.88	5.71	13.62	0.94	7.13
Category		Strategic/corporate functions									Finance functions						HR and support functions					Operational functions				

BACKUP

Benchmarking overview by management concept

Relative size of function [%] – Corporate center and shared services

Clusters [employees]	Corporate functions	Corporate functions									Finance functions						HR and support functions					Operational functions				
		Company management	Strategic planning/ corporate development	Communications	Investor relations	Mergers & acquisitions	Legal	Patents and licenses	Auditing	Organizational development and	Finance	Controlling	Accounting	Insurance	Taxes	International trade and customs management	Human resources	IT	Occupational safety and environmental protection	Real estate/facility management	General services	Research and development	Purchasing and procurement	Logistics	Quality management	Marketing and sales
Integrated HQ	1st quartile	2.62	0.62	0.79	0.20	0.25	1.00	0.52	0.63	0.31	1.31	2.56	3.08	0.05	0.28	0.06	4.79	6.97	0.47	1.00	2.79	2.49	2.47	1.19	0.29	7.20
	Median	3.75	1.74	1.74	0.48	0.48	2.03	0.68	1.20	1.23	3.04	5.64	8.35	0.44	0.78	0.19	7.83	14.60	1.11	3.36	4.89	14.36	4.43	3.25	2.70	30.25
Operational holding	1st quartile	1.18	0.43	0.47	0.08	0.16	0.61	0.52	0.30	0.32	0.44	1.09	4.92	0.14	0.14	0.32	3.12	5.43	0.50	0.50	0.74	0.45	2.81	0.59	0.47	3.25
	Median	1.84	0.61	0.74	0.22	0.31	0.85	0.55	0.51	0.45	1.00	2.58	8.29	0.64	0.67	0.44	4.98	8.62	0.82	2.23	3.40	2.13	5.89	1.47	0.55	5.69
Strategic holding	1st quartile	0.42	0.20	0.30	0.06	0.09	0.27	0.31	0.18	0.07	0.25	0.33	1.14	0.09	0.19	0.10	0.46	0.79	0.18	0.62	0.39	1.63	0.23	Insufficient data	0.06	0.12
	Median	0.71	0.31	0.55	0.12	0.13	0.64	0.48	0.43	0.19	0.66	0.76	2.88	0.12	0.30	0.18	2.21	7.07	0.19	1.83	0.56	4.04	1.07		0.33	0.86
Category		Strategic/corporate functions									Finance functions						HR and support functions					Operational functions				

Sources and related studies



OFFSHORING FORECAST STUDY, 2012

Hackett Group

Panel: 4,700 companies from U.S. and Europe, revenue > USD 1 bn
Key Message: Offshoring of 750,000 more jobs in finance, IT, other key business services areas by 2016



CHALLENGES FOR COMPANIES IN GROWTH FINANCING, 2012

Roland Berger

Panel: 2,500 companies worldwide
Key Message: Financing usually done the traditional way due to volatile financial markets and the ongoing euro crisis



GLOBAL LEADERSHIP SURVEY, 2010

International Federation of Accountants

Panel: 123 respondents from 73 countries
Key Message: Credibility of the profession, standard-setting, and adoption and implementation are key focus areas for accountants



PRODUCT PORTFOLIO MANAGEMENT, 2012

Planview Inc.

Panel: 922 worldwide
Key Message: Organizations refine their product development process and seek supportive tools



SMP QUICK POLL: 2012 ROUND-UP

International Federation of Accountants

Panel: 3,700 small- and medium-sized practices (SMPs)
Key Message: Economy and regulations as major sources of uncertainty



It's
character
that
creates
impact

Roland Berger
Strategy Consultants