

# Solutions

INDUSTRIAL MANUFACTURING

## Optimizing operating models of G&A functions

Benchmark-level services combining effective governance  
and organization with end-to-end process optimization



# Optimizing the setup of G&A functions:

## Strategic objectives

Today, internationally engaged enterprises are faced with ever-increasing global competition that requires constantly re-thinking and optimizing all components of the value chain. Of course, this challenge also extends to G&A (general & administrative) functions such as finance, HR, IT or procurement which provide a basis for core operations such as manufacturing, supply chain management or sales.

For G&A functions, a number of strategic objectives have proved to be particularly relevant across many industries:

### Business support

refers to the ability of G&A functions to provide deliverables or process output in time and in quality. Relevant criteria are primarily defined by G&A customers such as group management or business units, but need to be reconciled to address potential goal conflicts between, for example, timeliness and cost incurred.

### Cost effectiveness

pertains to managing cost incurred in G&A functions to contribute to the overall competitiveness of the enterprise. In this respect, benchmark values are available for the most relevant G&A functions. These benchmarks typically compare function cost relative to revenues within industries.

### Compliance

is achieved if external and internal regulations are reflected in G&A operations. This strategic objective needs to be treated as a framework condition for optimizing other target dimensions.

### Flexibility

refers to the function's ability to adapt to changing business requirements. As an example, consider the integration of new languages in services provided to business units as new markets are entered. In this regard, the speed of change has significantly increased over time making flexibility an ever more significant objective.

### Scalability

is achieved if G&A functions are able to adapt to changes in business volume which might be caused by M&A activities, new product introductions or other topics

Usually, the "web of objectives" we encounter when considering G&A functions comprises some goal conflicts that require careful balancing, for example between business support and cost effectiveness, or between compliance and flexibility. However, new approaches and trends in optimizing G&A functions open up innovative ways to address these issues, and allow break-through solutions in the G&A improvement process.

KPMG's operating model optimization approach for G&A functions considers established G&A operating model levers as well as new trends and industry best practices. Therefore, we are looking forward to personally discussing with you how KPMG can help to further evolve G&A functions in your enterprise!



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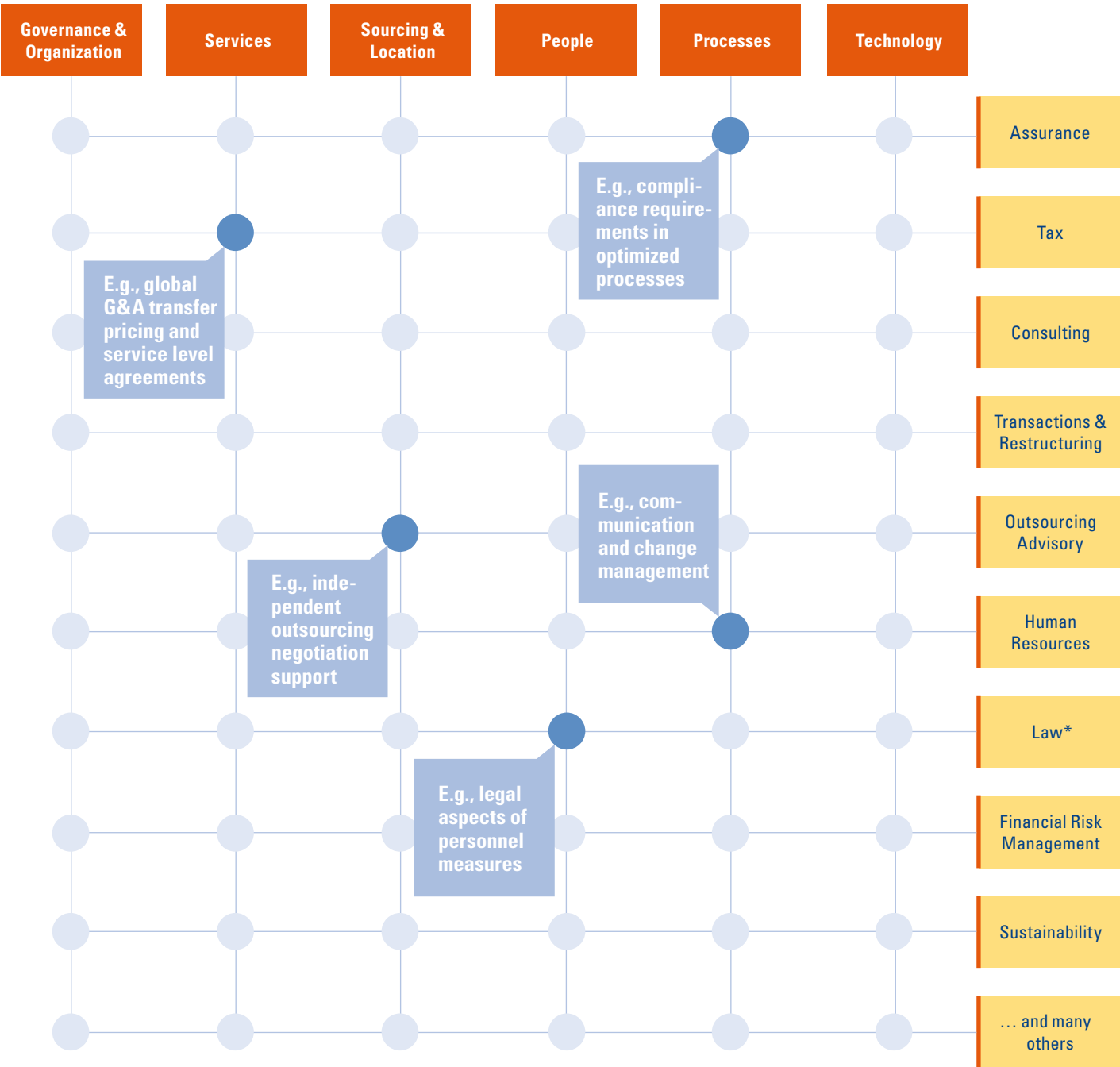


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# Operating model optimization in G&A functions:

## KPMG's Expertise

KPMG's G&A grid of expertise is uniquely positioned to integrate the multi-functional knowledge and experience required to drive successful G&A operating model optimization.



\*Legal services are provided by KPMG Rechtsanwaltsgesellschaft mbH.

# Our Six Dimensions Approach

**KPMG's approach to G&A operating model optimization addresses six relevant dimensions. For a benchmark level setup, each dimension requires the application of a broad range of expertise. KPMG is uniquely positioned to fulfill this requirement with its balanced approach and its global network of cross-functional experts.**

Please see below for an exemplary selection of how we can help. For full-scale G&A transformation programs, KPMG's cross-functional approach aligns and seamlessly integrates our response to the challenges outlined.

## **Governance & Organization: Ensuring effective governance for G&A functions**



- Benchmarking to determine action requirements in G&A functions
- Advice on appropriate organizational models, e.g. in matrix groups
- Performance management concepts
- Assurance of compliance requirements
- Post-merger integration, carve-out

## **Services: Harmonizing the activity split between group service providers and local entities**



- Best practice models to consistently allocate responsibilities to shared services, CoEs, headquarter functions, country organizations, or business units
- Activity-split best practices for key G&A functions (e.g., taxes, financing, accounting, HR, IT)
- Assurance of internal control requirements, e.g. SOX 404
- Compliance

## **Sourcing & Location: Selecting optimum locations and sourcing options for G&A processes**



- Support for make-or-buy decisions
- Independent advice on effective design and implementation of outsourcing agreements
- Global location research and site selection
- Tax-efficient setup of global sourcing and delivery network
- Transfer pricing reflecting tax regulations

## **People: Developing and leading global G&A teams**



- Communication and change management in large-scale transformation programs
- Support for required personnel measures
- Role descriptions
- Learning and development programs for management and staff
- Addressing legal requirements in case of personnel measures

**When optimizing G&A functions, KPMG considers a comprehensive set of operating model design challenges.**

**Processes:**  
**Realizing world-class end-to-end G&A business processes**



- G&A process best practice libraries (e.g., HR, accounting, taxes, information management etc.)
- Qualitative and quantitative benchmarking for G&A functions
- Implementation of continuous improvement processes
- Tax-compliant service level agreements and inter-company charging models



**Selected client benefits**

- Comprehensive set of best practice recommendations for all relevant operating model design issues
- Available best practices within and beyond the industry
- Concise benefits and business case assessment to enable sound implementation decisions
- Seamless and hassle-free integration of a broad range of functional experts
- Global network of experienced specialists guiding clients through the transformation process

**Technology:**  
**Aligning IT to G&A business requirements**



- G&A systems landscape maturity assessment
- Information management best practice implementation, e.g. based on the ITIL framework
- Systems landscape harmonization and standardization
- Assuring compliance requirements in IT systems implementations
- ERP advisory: requirements definition, design and implementation support

# Second generation trends in G&A optimization

As in global manufacturing value chains, further optimizing G&A functions to achieve an additional contribution to competitive advantage becomes ever more challenging. Customary optimization levers are increasingly exhausted. KPMG has therefore identified four second generation trends in G&A optimization that can help to generate benefits beyond the industry status quo.

- “Tasking the machine, not the service provider”
- “Leverage process management to achieve well-structured, repetitive and transparent workflows”
- “From functional black boxes to truly shared infrastructure”
- “Create clear-cut world-class teams of functional specialists”

**Innovative approaches enable the optimization of G&A functions beyond outsourcing and transactional shared services.**

The old model	The new approach
Outsourcing	Process Automation
One-off Expert Tasks	Transactionalization
Shared Services per Function	Multitower
Local Expertise	Centers of Excellence

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## Our approach

From a holistic point of view

**Rely on our extensive experience. Our approach to fully-fledged G&A operating model optimization is supported by a team integrating expertise across all relevant functions, global reach, and concise project experience**

- 1. Quick scans** to assess the maturity level of G&A functions and identify group-wide G&A optimization potentials
- 2. Definition of key design principles** aligned with corporate strategy and G&A governance best practices, overall program setup
- 3. Baselineing & benchmarking** to identify potentials and design the initial benefits case
- 4. Sourcing and service levers modeling, activity split design**
- 5. Comprehensive target operating model blueprint:** governance, services, sourcing & location, processes, people, technology
- 6. Validation through pilots approach,** pilot implementation units are selected to reflect group complexity
- 7. Detailed implementation planning**
- 8. Group-wide roll out** with comprehensive change management support

### Our team

Our experienced task force encompasses specialists and experts from areas such as G&A Target Operating Model Optimization, Strategy & Operations, Strategic Sourcing & Procurement, Tax, Assurance Services, Technology Enablement, Risk & Compliance, People & Change, Outsourcing Advisory, Corporate Finance, Sustainability Services and Law\*. With respect to your specific challenges, they ensure that

- Widely recognized experts,
- Proven-in-practice tools and methods as well as
- Benchmark data

are available through our global KPMG network.

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# Case study

## Aligning G&A functions to corporate strategy

The following case example provides you with insights into our approach to realigning G&A functions. Available references include world-class manufacturing groups, but our approach also takes into account relevant experience from other industries such as automotive.



### Initial situation

- G&A cost substantially higher than benchmark level
- Existing shared services organization, but still limited utilization of bundling potentials
- Redundant processes on various levels of the group organization
- Low degree of process standardization
- Limited transparency in process roles and responsibilities with impact on compliance issues



### Analysis and design

- Definition of global key design principles aligned to corporate strategy
- Definition of detailed activity splits for all relevant functions between shared services, CoEs, BUs and local entities
- Concise G&A target operating model blueprint
- Detailed business case and implementation planning for all global entities



### Implementation

- Global roll-out support to donating and receiving entities
- Dedicated change and communications management
- Consideration of audit, tax and compliance requirements throughout the implementation
- Change management



### Advantages

- Alignment between corporate strategy and G&A setup
- Sustainable cost savings of ca. 23% / EUR 48m pa
- Optimized business support provided by G&A functions
- Assurance of transparency and compliance of processes
- Global "cross-functional" cooperation

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