Stop thinking near-term efficiency to help realize long-term value
Pull the curtain back on the retained organization

Many finance organizations across various industries are being asked to provide more insights and proactive decision support while reducing costs. The order of the day seems to be *do more with less*. In response, many business leaders seek new operating models to tackle the dynamic marketplace. A longstanding trend is outsourcing or creating shared service centers or centers of excellence for Finance functions.¹ Making this move is generally driven by the need for scale or productivity efficiencies that can translate into real, near-term cost reductions. These initiatives often take time, investments, and considerable organizational focus to realize the savings. However, this can lead to a myopic lens that keeps Finance leaders from recognizing that there may be significant value left on the table in the organization left behind, the retained organization.

¹ Deloitte Consulting LLP—2014 Global Shared Services Survey Results
Operating model transformations can create a significant opportunity to enhance the retained organization through analytics and business collaboration. These activities can drive sustainable value for the enterprise for years to come. To help unlock the full value of the retained organization, three key dimensions should be addressed: capacity, capability, and collaboration.

**Capacity.** By virtue, centralizing or outsourcing transactional Finance activities expands the local retained organization’s capacity. CFOs should determine what to do with that capacity—often realize savings immediately through headcount reductions, reinvest in the organization, or a combination of the two. The amount of reinvestment is finite, which means compromises are made. This function is poised to make that call: Finance is positioned to understand where opportunities in the organization are located based on the fact that it serves as the steward of all financial data. Finance can make an informed decision on where these reinvestments impact the organization’s strategic enterprise and operational value drivers the most. Through targeted finance interventions, the Finance organization can insert itself into important business decision-making processes by providing data analytics and econometric/predictive modeling that aim to provide a tangible return on investment for the company. Transformation of the operating model reveals this capacity. By realigning where work occurs, the retained organization can consider prime areas for reinvestment.

**Capability.** Regardless of the amount of reinvestment, the retained Finance function is generally a leaner operation in the new world. However, a chief priority remains the return on investment. Every dollar allocated to resources should pay in dividends in the value realized. Following the transformation, the responsibilities of the retained organization should differ dramatically. Finance leaders need to define expectations of the restructured roles. A fundamental change in duties and tasks involves proper training and may require hiring new talent. Learning and development offerings should be used to identify and shore up skill gaps. By aligning the growth and development of talent with a clear path for career progression, an organization can cement its ability to retain top talent and attract in-demand recruits.

**Collaboration.** Once it is determined where targeted business interventions will materialize, responsibility often falls square on the shoulders of the retained organization to reach out to various business functions to elevate their roles. It is worth mentioning that every function may not welcome the new partnership since Finance’s traditional role is that of a numerical gatekeeper who reports the news around historical performance. Generally, a seat at the table is earned, and in order to help overcome this common stigma, Finance can gain trust by consistently providing proactive, data-based, strategic, and operational insights that help drive value creation.

By prioritizing the value drivers for the organization, Finance can enhance its return on reinvestment through the identification of targeted finance interventions.
In action
Targeted finance interventions can provide value to companies in myriad ways. As one representative illustration, a life sciences company may choose to centralize its back-office activities before undergoing a major divestiture and several acquisitions. With a hyper-focus on a successful execution of these transactions, the efficiency and effectiveness of the retained organization post-centralization can become a low priority. Haphazardly integrating activities could leave an enterprise overextended, and as a result, business-partnering activities might slip.

Capacity. In this scenario, the cascade of events related to the M&A activity would inadvertently leave many roles with a smorgasbord of activities for which they would be responsible. People with more knowledge-based activities might also have transaction-based activities within their responsibilities, and vice versa. These inefficiencies would leave the organization overworked and running on fumes. The idea that the teams could provide new analyses would be unrealistic. To combat this, the client should assess the current state of affairs, identify the biggest pain points, and redesign where activities should sit. For instance, the Segment Finance team may own building and posting the expense accruals while tracking actual versus budgeted spend in the current state. By consolidating the transactional and time-intensive pieces of these activities under the Shared Services Center Accounts Payable team, the VP of Finance could create capacity for the organization. How should the newfound capacity be used? Should it be taken to the bottom line or reinvested in the retained organization? By evaluating value drivers for the organization, the decision will become clear. Additional time spent working on mix and margin analyses, as an example, could drive substantial return on investment. Identifying that targeted finance intervention could uncover a mix/margin play that is being underplayed in one of the segments. That realization could potentially drive a significant increase in margin benefit.

Capability. By thinking through where the targeted finance interventions should happen, the VP of Finance can re-prioritize how the team spends its time. This shift in expectations and requisite responsibilities can expose capability gaps in the talent pool. For instance, instead of providing feedback on historical financials, the Segment Finance team may be expected to have insight on what type and amount of investments business partners should be making. Yet some practitioners in those roles might not be equipped to answer such questions. This would lead to a review and refresh of the set of capabilities mapped to each role in the retained organization based on newly identified responsibilities. The ongoing training strategy and design would also need to be modified to support changes in the organization. By explicitly defining responsibilities for every role, it is much easier to align professionals to the most fitting roles, slate high-performers for increased duties, and identify existing capability gaps. When targeted training opportunities fail to close capability gaps, external talent can be hired. Addressing the capabilities needed in the new organization proactively gives people greater clarity and understanding about their roles and expectations. Employee morale, overall performance, and efficiency throughout the organization can improve substantially.
Collaboration. When functions that rely on Finance support are accustomed to viewing them as pure accountants, it can be difficult to reposition the Finance function as a strategic business partner. It may be a challenge to foster trust and collaboration. The move from operator to strategist is a big step. In this case, the Segment Finance team may want a seat at the table, but it may not have the invitation. These operational teams may be accustomed to flying blind or they may be trying to piece together the capabilities needed within their organizations. The journey to establish trust begins with taking an earnest look at the areas where Finance reinvestment can drive significant value through targeted interventions. It could be the aforementioned mix and margin analysis. The Finance team understands they own all of the data elements needed to run the analytics. Furthermore, they recognize the type of impact that the findings would likely deliver. By taking the data set and modeling information in a new way, Finance can bring a set of insights that drive the core of the business. The value created does not have to focus on cutting short-term costs but rather driving sustainable enterprise value that changes the organization’s commercial go-to-market strategy. The relationship between the Finance and Commercial team can strengthen, and the business will subsequently start to proactively request more involvement from the Finance team. By starting small and addressing one critical issue, the Finance team offers a significant contribution, but moreover opens the door to more opportunities.

Enabled by defined capacity, robust capabilities, and clear collaboration, the teams left in the retained organization can enjoy a substantial upsurge in morale. Hours of inefficiency can be replaced by targeted, fruitful output. Professionals can find hours more manageable and roles better suited. Many at-risk high performers can be spun into newly created roles. Moreover, the path forged can serve to facilitate a candid dialogue between Finance and its senior counterparts that will likely pay dividends as an organization continues to grow and flourish.
Call to action

During these significant transformation efforts to centralize or outsource finance activities, a majority of the time is focused on the activities transitioning out of the organization rather than the retained organization. Paradoxically, the retained organization is where Finance can often drive significant impact. Investing in the retained organization can promote sustainability and enable a laser focus on unlocking enterprise value. Building capacity to execute value-added activities can catapult Finance beyond the numbers to become a true strategic partner across functions, thereby galvanizing the organization. To be most effective, Finance leadership should balance motivations for near-term efficiency with a deliberate stake in long-term value.