Gartner for Finance Leaders

Redesigning Finance Structure and Roles to Support Growth

10 Steps to Redesign
Your Finance Function

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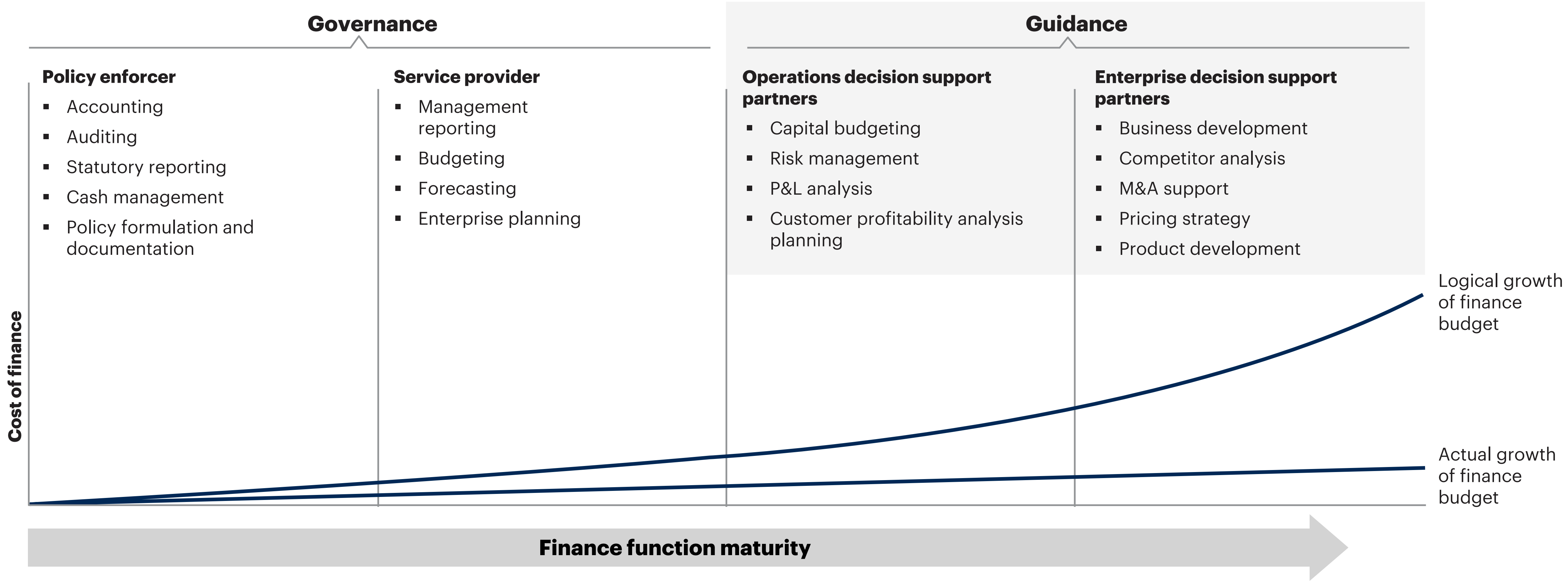
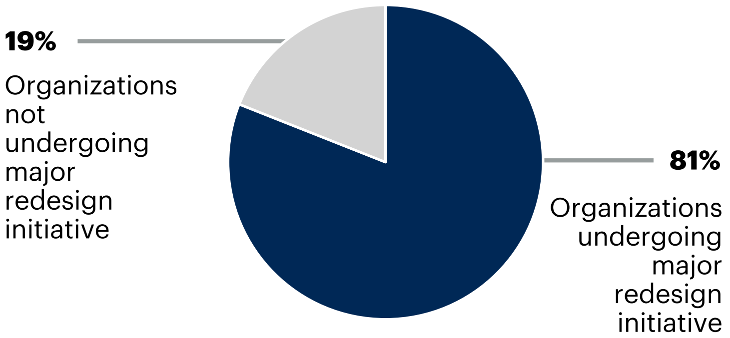
Increased demand for higher-value support



Many organizations are undergoing redesigns

Percentage of organizations undergoing major redesign initiative in the past 12 months



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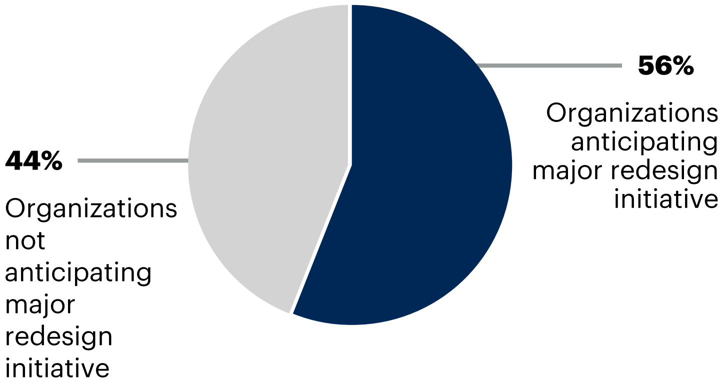
Percentage of organizations starting major redesign initiative in the next 12 months



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Most common reasons for redesign
Percentage of organizations citing reasons

Reduce cost	72%
Reduce process inefficiency	49%
Improve product/service quality	35%
Growth in current market	24%
Merger or acquisition	20%
Expansion into new market	13%
Improve customer alignment	3%

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Centralization vs. decentralization

Step 1: Evaluate different models for delivering finance services.

Step 2: Divide responsibilities between corporate and embedded finance teams.

Step 3: Identify services that can be migrated to a center of excellence (CoE).

Step 4: Identify services that can be migrated to shared services.

Sourcing

Step 5: Determine an outsourcing strategy, and select activities to outsource.

Step 6: Select a location for outsourcing.

Finance subfunction structure

Step 7: Structure finance subfunctions based on finance priorities.

Step 8: Define each subfunction's scope of activities.

Reporting relationships

Step 9: Choose the right reporting structure for embedded finance teams.

Step 10: Optimize spans of control.

Our recommendation

Centralization vs. decentralization	Sourcing	Finance subfunction structure	Reporting relationships
Centralize repeatable, transactional and enterprisewide activities	Assess the sources of the company's competitive advantage	Clearly define the scope of each subfunction to avoid duplication	Use role definitions, incentives and performance measures — instead of relying on redrawing reporting lines —to drive desired staff behavior

Finance services can be delivered via various models

	Corporate finance center	Center of excellence	Shared-service organizations	BU-aligned finance
Objective	Ensure good governance and oversight.	Improve business outcomes via specialized services.	Focus on scalability to reduce costs and increase efficiency.	Provide strategic decision support to the business.
Value creation process	Use an enterprise-wide view to support the company's strategic initiatives, foster information sharing and coordinate business activities.	Consolidate, build and apply subject matter expertise and experience.	Optimize processes, consolidate assets and reduce costs via labor arbitrage.	Test business hypotheses and identify risks and opportunities using business and analytical acumen.
Performance metrics	Quantitative and qualitative, such as effectiveness of financial planning, controls and finance policies	Qualitative: business outcomes such as financial data integration, data quality and reporting ease	Quantitative: process output such as accuracy and on-time, on-budget demand for services	Business impact, such as quality of insight and recommendations
Common activities	▪ Policy formulation and documentation ▪ Budgeting and planning ▪ Accounting and reporting	▪ Continuous process improvement ▪ Enterprise performance management ▪ Business analysis	▪ Accounts payable ▪ Accounts receivable ▪ T&E expenses ▪ Payroll	▪ Performance analytics ▪ Risk management ▪ M&A support ▪ Pricing strategy

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Purpose of the corporate center

Key roles of a corporate center

Role 1: Economies of scale

The corporate center can achieve scale that individual business units cannot achieve on their own due to low process volume.

Role 2: Economies of information

The corporate center can consolidate, analyze and package information across businesses and functions, not only to meet regulatory requirements but to enable faster and better business decisions.

Role 3: Economies of expertise

The corporate center can provide CoEs (experience and insight levels in technical terrains) that individual businesses cannot afford on their own due to size and career pathing for professionals.

Key pitfall to avoid

Pitfall: Lack of differentiation between tasks in corporate center vs. BU-aligned finance

As corporate finance functions grow from single-country operations to international operations, they fail to clearly differentiate tasks between the two levels.

Solution: Redefine mandate of finance corporate center, CoEs and shared services

Instead of performing activities better suited to other delivery models, corporate finance teams should focus on:

- Managing function-level strategy and performance
- Building a finite number of world-class capabilities
- Using input from other functions and business units to remain in sync with corporate strategy

Corporate finance teams should take advantage of their enterprisewide view to deliver benefits of scale, information and expertise to the business.

- Most companies fail to clearly distinguish the corporate center's role from that of BU-aligned finance teams.

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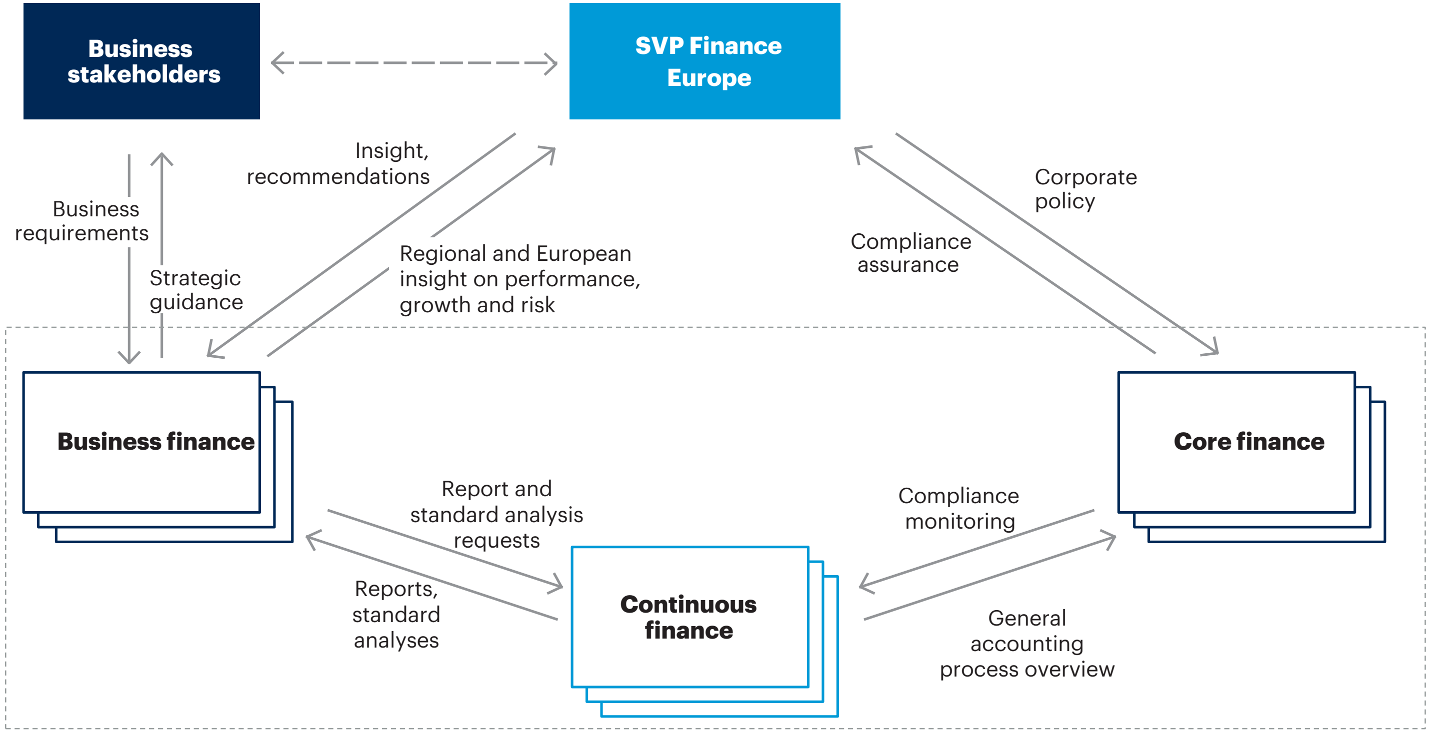
Defining the new finance operating model



Business finance

Effectively serves the needs of the business while maintaining a high level of standardization within FP&A processes

Core finance

Ensures businesswide compliance at all times by establishing governance and providing direction to the finance function in the areas of control and compliance

Continuous finance

Executes continuous finance processes in a rigorous and standardized manner, and manages relationship and quality of service with the outsourcing provider

Finance moves from an organizational model that mirrors the decentralized business structure to one with standardized continuous processes, delivering insights to the business in the key areas of risk, growth and performance.

The new operating model adheres to five principles:

1. Promotes single-point accessibility
2. Promotes business partnering
3. Enables staffing of best talent, and succession planning
4. Simplifies functions and reduces costs
5. Can be implemented with ease while maintaining support for standard processes

Source: The Nielsen Company.

Finance operating model: Roles and responsibilities

nielsen

SVP Finance Europe

- Oversee the European finance organization, including the overall functional agenda and service to the customers of the finance function.
- Own the European finance function strategy ensuring consistency with corporate policies and objectives.
- Create positive organizational climate, featuring a supportive working culture with clarity on roles and responsibilities, challenging goals, flexibility and room for new ideas, and rewards for good performance and team commitment.
- Engage with the business in defining corrective measures to address performance deviations, and challenge the operating plan and forecasts.

Business finance

Business partner

- Own the business partnering relationship for their region/ area.
- Provide insight to standard management reports.
- Provide support on commercial and pricing decisions, negotiation and decision-making activities.
- Support operational planning.

FP&A

- Develop policies and procedures for business partnering activities.
- Facilitate the sharing of best practices across regional business partners.
- Coordinate planning process.
- Support CFO with analytics.

Core finance

Controller

- Drive the development of policies and procedures for accounting processes in the CoE.
- Ensure compliance with corporate and statutory financial policies.
- Drive regular reviews of SOX documentation and testing.
- Support internal and external audits.
- Conduct balance sheet reviews.

Continuous Finance

Center of excellence (CoE)

- Provide continuous finance services - revenue, payment, general accounting and controllership, and reporting - to statutory controller and business finance.
- Manage relationship with service provider.
- Monitor service provider quality levels through SLAs and performance metrics.
- Drive efficiency and process improvement.

Source: The Nielsen Company.

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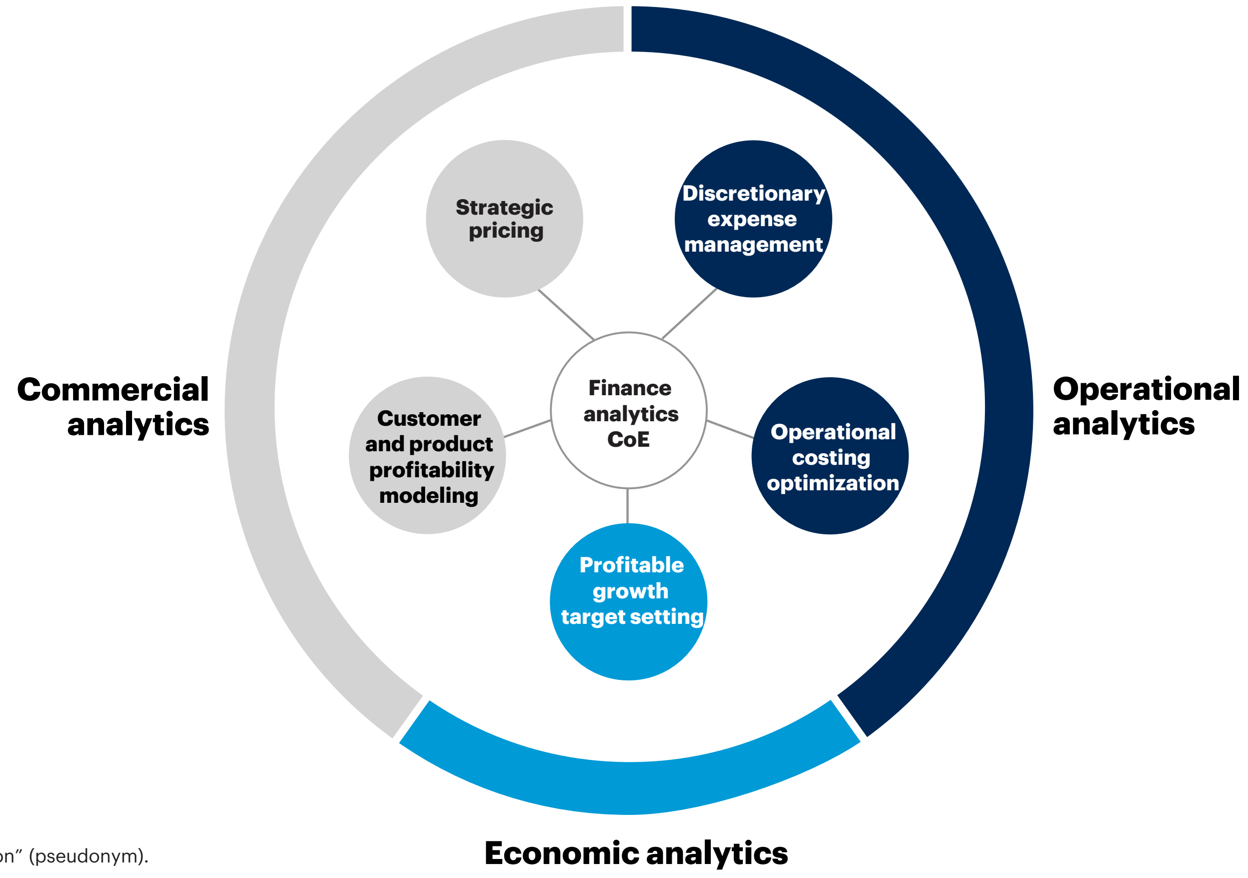
Strategic analytics: Hub-and-spoke model



- The FP&A analytics hub conducts the technical data modeling analysis, and the spokes do qualitative analysis.
- The hub executes multivariate tests, but the spokes recommend them.
- The hub connects with IT and other analytics groups; the spokes minimize technical data mining and systems issues.

Source: "Omicron" (pseudonym).

Omicron (a company that requests anonymity) uses its hub-and-spoke model to centralize more strategic analytics that require both a cross-functional perspective and a protected focus.

- Omicron found that the hub-and-spoke model promotes more efficiency in analyzing and accessing data while breaking down functional silos.

“We’re looking at a hub-and-spoke-type model, whereby we have a CoE in the middle that is ultimately building up this singular economic analytic asset, but then is leveraged by different groups for different purposes.”

General Manager, Finance Analytics CoE, Omicron

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Choosing activities to migrate

Considerations for migration and location of analytics activities

Illustrative

FP&A analytics activities

Analytics activities performed by FP&A

- Variance analytics
- Cash flow analytics
- Capital investment analytics
- Management reporting
- Customer and product profitability
- Profitable growth target analytics
- Scorecard development
- SG&A analytics
- Operational cost analytics
- Discretionary expense management
- Supply chain analytics
- Strategic pricing
- Demand planning analytics

Source: Omicron.

Centralization considerations

Moving to shared service:

- ❑ Data is accessible through Omicron business intelligence database
- ❑ Rules-based analytics (easy to standardize)
- ❑ Repeatable and occurs frequently with little change
- ❑ Limited to no business partner interaction required

Moving to analytics CoE:

- ❑ Data is accessible through Omicron's business intelligence database
- ❑ Exploratory analytics, which requires focus and specialization
- ❑ High data analytics skills required
- ❑ Medium business partner interaction required
- ❑ Multisource synthesis required

Remain in business:

- ❑ High business partner interaction required
- ❑ Business-specific and not easily leveraged across Omicron
- ❑ Low material enterprise impact
- ❑ High judgment required
- ❑ Midlevel analytic skills required
- ❑ Low turnaround time

Analytics activity locations

Shared-service responsibilities

- Variance analysis
- Management reporting
- SG&A analysis

Analytics CoE responsibilities

- Discretionary expense management
- Operational cost optimization
- Profitable growth target setting
- Customer and product profitability modeling
- Strategic pricing

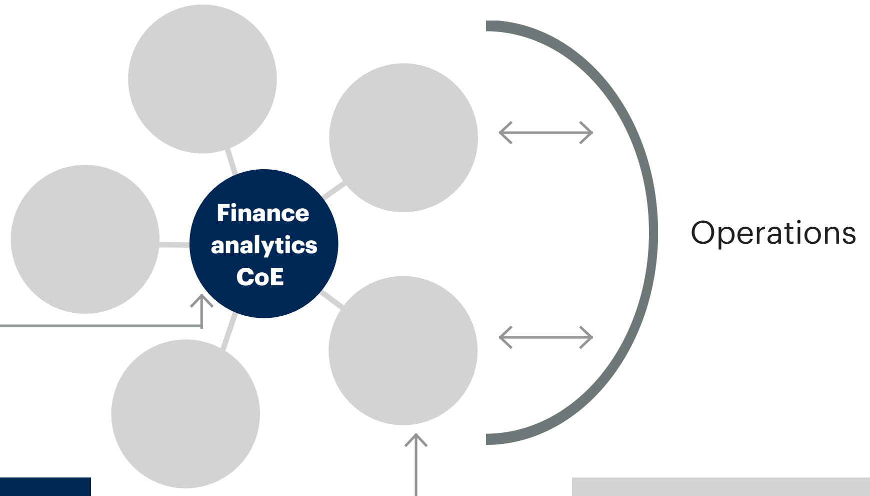
Embedded finance responsibilities

- Scorecard development
- KPI management
- Cash flow analytics
- Capital investment analytics
- Demand planning analytics
- Supply chain analytics

Analytics role alignment

Analytics CoE role alignment

Hub
Spoke



Data scientist role

Located in the CoE hub

Responsibilities in the analytics process include:

- Data mining and collection
- Data synthesis and modeling

Business interpreter role

Co-located in the CoE spokes and the business

Responsibilities in the analytics process include:

- Project scoping
- Building an analysis problem frame with the end-customer
- Translating analysis into business terms
- Delivering compelling presentations

Source: Omicron.

Omicron uses a hub-and-spoke CoE model in order to protect the focus of the data scientist, while still leveraging its business interpreters to include the business-specific viewpoint.

Build the perfect team, not the perfect employee

Omicron's role division within FP&A

"Unicorn" FP&A Team

Data scientists

- Data domain expertise
- Analytic modeling expertise

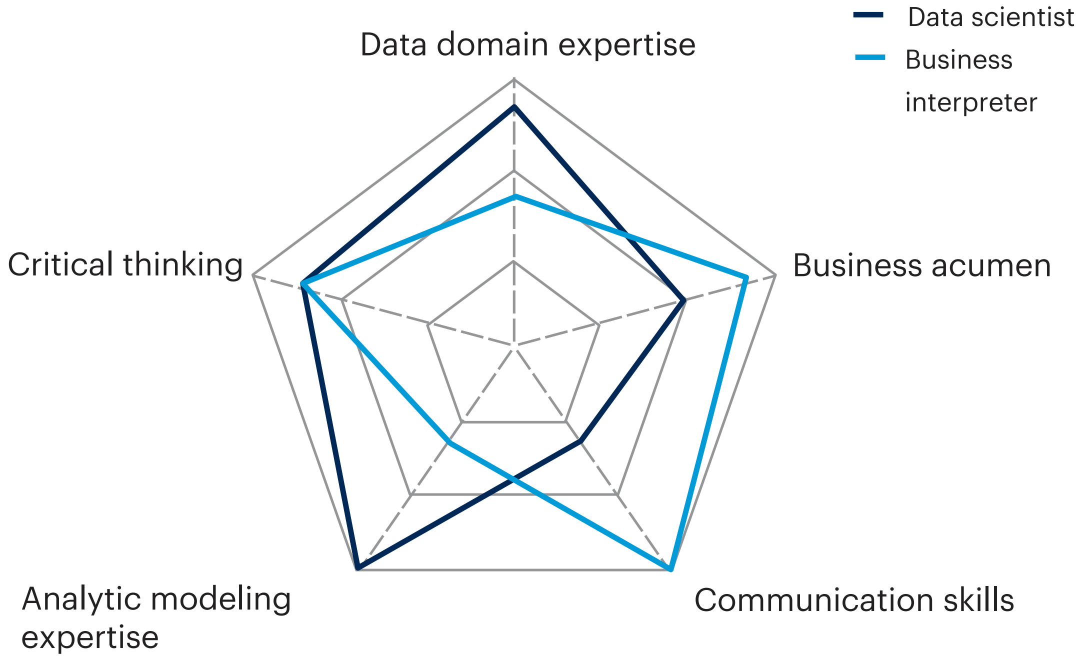
Business interpreters

- Business and statistics terrain knowledge
- Communication skills

Source: Omicron.

Skills present across Omicron's team, by role

Illustrative



Source: Omicron.

Instead of looking for staff who excel across all parts of the analytics workflow, Omicron specializes roles that are designed to more naturally fit employee skill sets.

Data scientist role profile

Data scientists' focus in the analytics process

Key area of focus

Project scoping → Problem framing → **Data analysis** → Results delivery

Financial data scientist role description

Responsibilities

- Innovates and experiments in data-modeling techniques
- Breaks down a complex problem into simpler and manageable tasks
- Synthesizes large quantities of data to recognize patterns and call out deep complex insights
- Applies financial lens to nonfinancial data
- Creates new statistical and visualization methods for highlighting critical variables
- Changes approach and allows for various levels of precision
- Collaborates with other analytics centers to integrate and implement newly developed algorithms
- Works with business interpreters to understand customer view and explain statistical methodology behind the analysis
- Develops hypotheses to test through analysis
- Applies a test-and-learn approach when the right analytics approach is unknown
- Selects the right tools and analytic techniques for a given business problem
- Generates multiple options to solve a problem
- Infers relationship between variables with only partial information
- Uses experience and judgment to plug in data gaps
- Identifies trends and patterns in large datasets to generate insights

Requirements and qualifications

- Deep understanding of statistical modeling
- Changes approach and allows for results at varying levels of precision
- Demonstrates persistence in achieving objectives in the face of challenges
- Maintains flexibility to meet changing business needs
- Quick learner and problem solver
- Eager to acquire new knowledge and understand relationships between variables even when application is not immediately apparent
- Creative thinker who can introduce innovative ideas and approaches
- Self-starter and motivator, able to remain focused and on task with minimal direction

Maintains partnerships with:

- Finance business interpreters
- Marketing CoE analysts
- Network CoE analysts

Location

- CoE hub

Business interpreter role profile

Business interpreters' focus in the analytics process

Key area of focus

Project scoping → Problem framing → Data analysis → Results delivery

Business interpreter role description

Responsibilities

- Works with the business to understand problems and how to best prioritize projects
- Challenges business partner perspective (where appropriate), is grounded in facts and data
- Effectively communicates the story behind the numbers in terms business partners understand
- Proactively suggests business problems to address to CoE
- Makes practical recommendations based on analysis
- Constructively challenges business partner assumptions and goals
- Understands how different stakeholder needs vary
- Asks questions that efficiently lead to identification of root cause of problems
- Develops practical and acceptable compromises when negotiating
- Effectively prioritizes business problems based on urgency and relevance
- Clarifies decision trade-offs to internal customers
- Redirect poor business assumptions
- Discusses financial performance in terms of the financial implications and business activities
- Generates multiple options to solve a problem and identifies the most effective solution

Requirements and qualifications

- Ability to explain and provide context around statistical methodology
- Excellent verbal and written communication skills
- Strong understanding of the business
- Ability to build partnerships, influence decisions and work in a collaborative style
- Maintains flexibility in fast-paced environment and continually evolves to meet changing business needs
- Takes initiative and executes independently
- Demonstrates willingness to change opinion when presented with new or contrary information

Maintains partnerships with:

- Data scientists in finance CoE hub
- FP&A in the business units
- Senior business leaders and functional heads

Location

- CoE hub

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Company-level outsourcing decision matrix

Contribution to competitive advantage	Low impact on day-to-day operational performance	High impact on day-to-day operational performance
High	**Invest to perform internally if the following exist:** ▪ Strong internal competencies ▪ Low implementation cost **Outsource if the following exist:** ▪ Low internal competencies ▪ High implementation cost	**Retain in-house:** For those with low internal competency, invest to perform internally
Low	**Outsource onshore if:** ▪ Time zone and language competencies are essential for service delivery ▪ Cost savings can be realized **Outsource offshore if there are:** ▪ Heavy labor and manual tasks ▪ Labor arbitrage benefits	**Outsource if it:** ▪ Does not add to core competency ▪ Can be done more efficiently by a specialized provider **Retain in-house only if the following exist:** ▪ Lack of specialized providers ▪ Low operating costs and high costs of transition

Assess the level of contribution of finance activities to the company's competitive advantage.

- Companies should outsource all activities that do not contribute to the firm's competitive advantage, even if they have internal competencies to perform the activity.
- This approach helps firms develop their core competencies and allows specialized providers to perform other activities more efficiently and at lower cost.
- Firms should keep activities in-house only when there are no specialized providers available and it is cheaper to perform the activities in-house than it is to transition them.

Activity-level outsourcing decision framework

Step 1: Considerations for activity-level outsourcing

1. Activity- or process-level decision	a. Is it a judgment-based or rule-based activity?	Rule-based	Judgment-based
	b. Does it require interaction with customers?	No	Yes
	c. Is it expensive to conduct in-house?	Yes	No
	d. Are there frequent interdepartmental handoffs?	Yes	No
	e. Is access to alternate or supporting systems required for this activity?	No	Yes
2. Internal complexity assessment	f. Is the process documented and exportable to the vendor?	Yes	No
	g. Will systems integration with a vendor be possible?	Yes	No
	h. Will outsourcing cause data security risks?	No	
	i. Can all process decisions be made without business understanding?	Yes	No
		Favorable for outsourcing	**Favorable for retaining in-house**

Step 2: Considerations for onshoring and offshoring

3. Onshore outsourcing assessment	a. Do domestic vendors with relevant expertise exist?	Yes	No
	b. Can domestic vendors perform the chosen process or activity at low costs?	Yes	No
	c. Does your customer base benefit from local or domestic service?	Yes	No
	d. Is access to alternate or supporting systems required for this activity?	Yes	No
4. Offshore outsourcing assessment	e. Is there a location with appropriate infrastructure, government support and labor supply?	No	Yes
	f. Are the full costs of outsourcing domestically (including internal change management costs) high?	No	Yes
	g. Does the offshore location have mature vendors with requisite expertise?	No	Yes
	h. Would offshoring negatively affect company reputation or brand?	Yes	No
	i. Would geographical distance impact output quality of the process or activity?	Yes	No
	j. Can community, customer, and union backlash be mitigated?	No	Yes
	k. Are language nuances essential to execute the activity effectively?	Yes	No
		Favorable for onshoring	**Favorable for offshoring**

Conduct a comprehensive evaluation to identify the right activities and processes to outsource.

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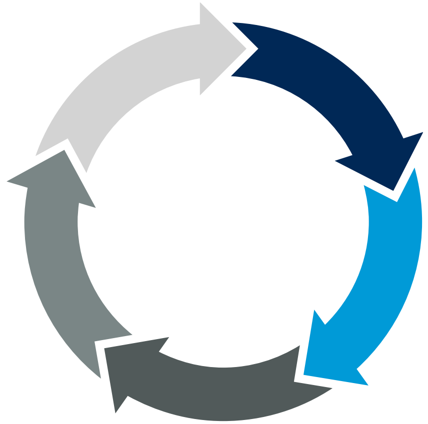
Understanding outsourcing risks

Risk exposure life cycle



Vendor selection

- Lack of competition and structure in selection process
- Lack of pricing component transparency
- Poorly defined scope, preventing business case development
- Lack of evaluation criteria or misalignment of criteria with outsourcing objectives
- Exclusion of key personnel in selection process

Contract negotiation

- Poorly defined negotiating strategy
- Lack of contract detail, leading to unforeseen challenges
- Inappropriate dealing that undermines opportunities for mutually beneficial partnership

Work transition

- Disruption of critical systems and operations
- Mishandling of personnel transition
- Cultural clashes

Ongoing governance

- Inability to drive and improve performance if not explicitly stated in contract or service-level agreement
- Unbalanced governance teams, resulting in loss of control
- Attrition rates that threaten project timelines and service delivery

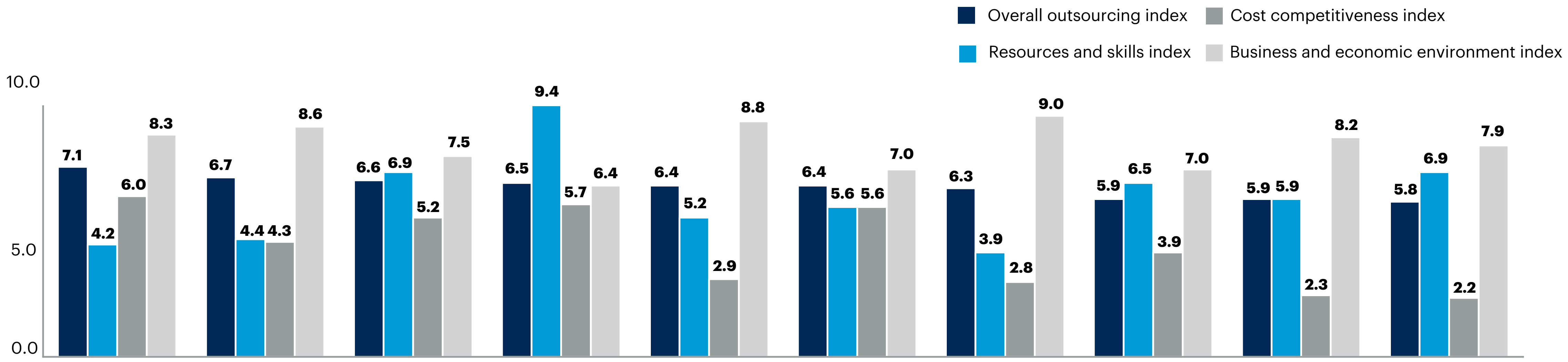
Strategic assessment

- Misalignment with business strategy
- Loss of core competencies
- Increased overall cost
- Loss of flexibility
- Loss of competitive intelligence opportunities

The need for risk assessment and mitigation spans the entire outsourcing life cycle.

Trends in outsourcing location selections

Top 10 most favored outsourcing locations



Country rank	1	2	3	4	5	6	7	8	9	10
Detailed indices	India	Indonesia	Estonia	Singapore	China	Bulgaria	The Philippines	Thailand	Lithuania	Malaysia

Source: aol.com; sourcingline.com, “Top Outsourcing Countries”.

10 popular outsourcing locations were ranked for their cost competitiveness, availability of viable labor resources, and business and economic environment health.

- Indices are based on a number of metrics, including salary data, literacy rates, corruption perception rates and education statistics.
- Although India is the most popular and most highly ranked outsourcing destination, each company must choose where to outsource after carefully considering its unique projects and priorities.

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Grouping activities into subfunctions

	Narrow scope Many subdivisions within finance, each owning a limited set of activities	**Broad scope** Fewer subdivisions within finance, each owning a broad set of activities
Costs of internal coordination	**High** Requires linking mechanisms, such as cross-functional teams, to coordinate the work of multiple entities within Finance	**Low** Easier to coordinate activities across different finance subdivisions
Opportunities for specialization	**High** Allows employees to specialize in specific process or domain areas	**Low** Requires generalist skill set to conduct different types of tasks
Clarity and focus	**High** Allows each team to focus on a limited set of goals and objectives	**Low** Requires each team to have multiple, possibly conflicting, objectives
Agility and responsiveness	**Low** Specialization can prevent timely reallocation of resources.	**High** Easier to reallocate generalist resources across activities and processes
Customer experience	**Fragmented** Internal customers may have to interact with multiple finance constituencies as part of a single process or activity.	**Integrated** Offers a more seamless experience for internal customers in accessing finance services

To determine the scope of each finance subfunction, CFOs must make trade-offs in multiple areas, such as cost, responsiveness and clarity of objectives.

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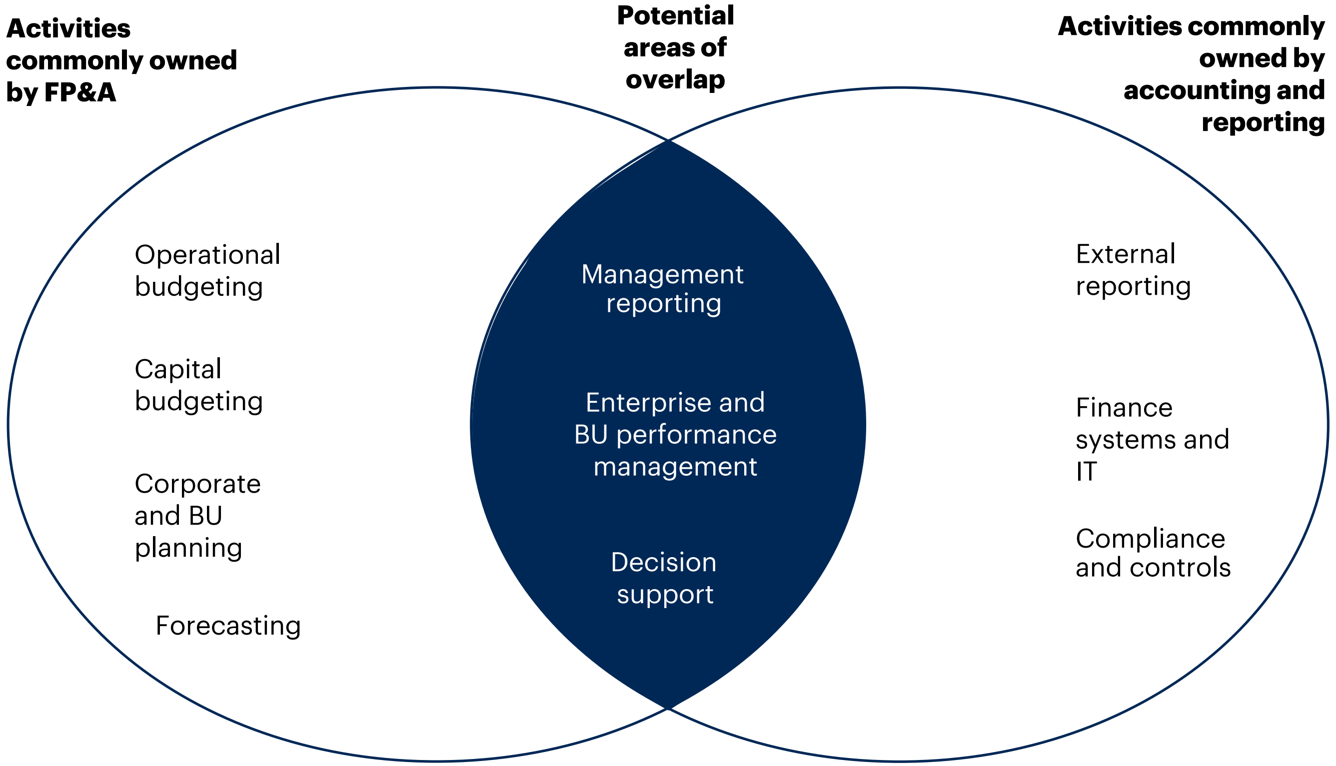
FP&A vs. accounting

Potential areas of overlap between FP&A and accounting



As finance structures evolve, unclear division of responsibilities can lead to wasteful duplication and overlap.

- With the emergence of FP&A as a stand-alone entity, companies find it hard to delineate responsibilities between FP&A and accounting.

Resolving scope conflicts between FP&A and accounting

Most finance teams prefer FP&A over accounting and reporting as the center of their budgeting and planning, decision support and enterprise performance management activities.

Potential areas of overlap

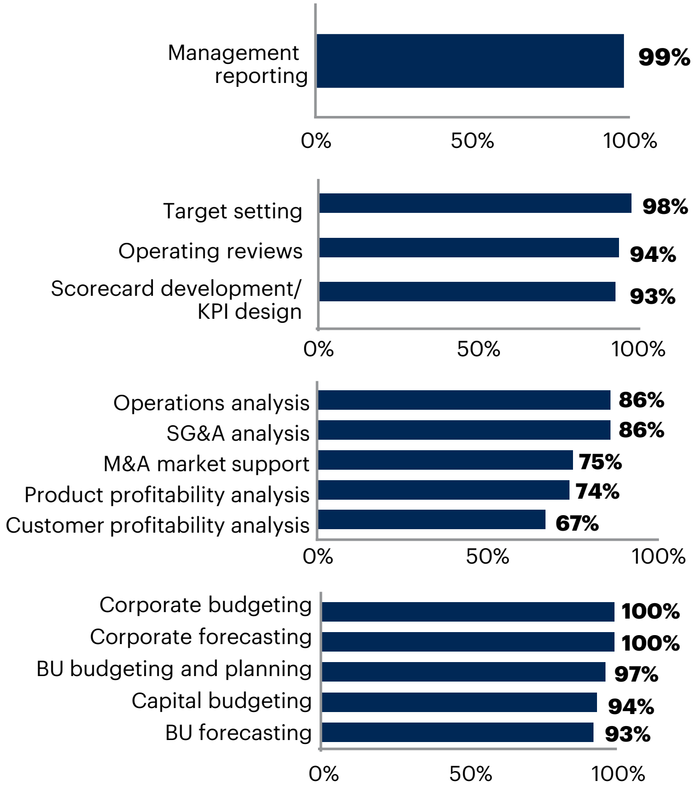
Management reporting

Performance management

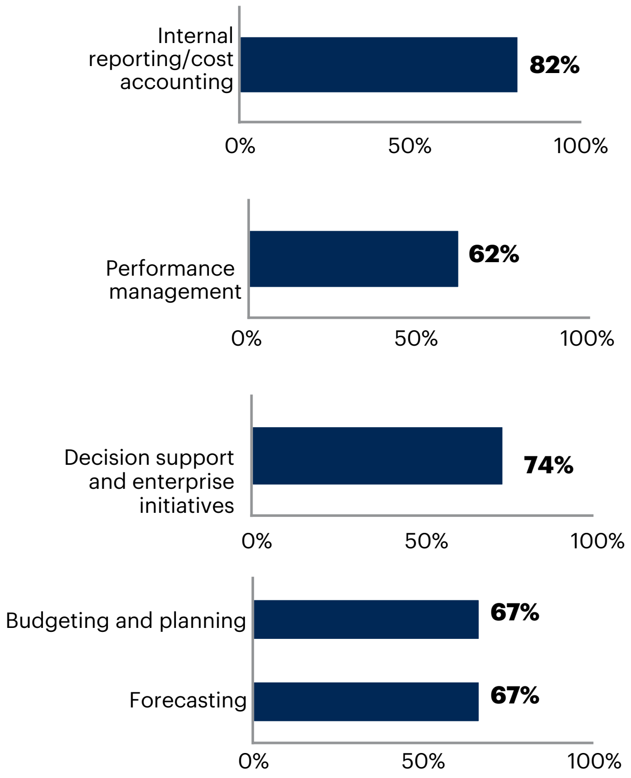
Decision support

Budgeting, planning and forecasting

Percentage of FP&A teams conducting this activity



Percentage of accounting and reporting teams conducting this activity



Define discrete FP&A roles

AngloAmerican

Finance organizational structure

- Group CFO*
  - Tax
    - Head of Tax (Regional)
    - Senior Tax Manager
  - Corporate Finance
    - M&A
    - Capital Management
  - Head of Group Finance and Performance Management
    - Senior Performance Manager
    - Senior Planning Manager
    - Capital Projects Finance Manager
    - Senior Operations Finance Manager
- BU CFO**
  - Head of BU Finance and Performance Management
  - Senior Performance Manager
  - Senior Planning Manager
  - Senior Operations Finance Manager

Source: AngloAmerican.
*Other direct reports not shown, including investor relations, treasury and risk, and audit assurance subfunctions.
**Other direct reports not shown.

Current FP&A capabilities focus

- Business performance driver analytics
- Business issues, opportunities and risk identification
- Partnership with business and operations leaders
- High-quality planning, forecasting and reporting to inform the business

AngloAmerican's finance team developed an org chart that accurately classifies existing functional domains and differentiates FP&A (performance management) roles from other accounting and technical finance roles.

- Before having this clear org structure mindset, FP&A primarily focused on basic budgeting, variance reporting, process standardization and performance reporting; these areas overlapped heavily with other, more accounting-focused groups.
- The company's current org chart allows the FP&A team to redefine its focus and realign energies to business performance analytics and decision support.

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One size does not fit all

Three types of reporting structures for business unit finance groups

	Structure 1 Hard-line reporting to CFOs	**Structure 2** Hard-line reporting to GM	**Structure 3** Dual hard-line reporting to CFO and GM
Percentage of finance teams with each type of reporting structure	**46%**	**47%**	**7%**
Advantages	▪ Helps maintain strong controls in response to increasing regulatory pressure ▪ Finance retains independence from the business and is more closely aligned with central finance's objectives ▪ Enables greater consistency in the finance function, increased transparency and finance independence from BU management, which may drive compliance ▪ Promotes a unified finance agenda companywide (e.g., finance process excellence, training, best practice sharing and deployment) ▪ Makes finance staff rotation easier; helps develop staff and is a selling point during the recruiting/hiring process	▪ Ensures close alignment between finance and the business; enhances the impact of finance's decision support and performance management activities ▪ Provides BU finance with clearer ownership of, and responsibility for, executing the business plan ▪ Reporting to the senior-most business unit executive helps improve finance staff's consulting and influencing skills	▪ Promotes stronger alignment of, and more frequent contact between, CFO, GM and BU CFOs on issues of finance strategy and business support ▪ Enables CFO influence over more activities vs. control over limited activities ▪ BU finance director maintains an independent perspective on operating issues ▪ BU CFOs participate (i.e., have equal voice) in both BU and finance leadership meetings and decisions
Disadvantages	▪ Lack of tangible incentive to partner with business ▪ Viewed as part of the corporate center	▪ Potential risk for control breakdowns ▪ Encourages loyalty to business unit demands rather than portfolio-level priorities	▪ Slower decision-making process from "serving two masters" ▪ Higher burden for CFO-GM coordination

There is no consensus on the right reporting structure for business unit finance, as structure alone will not drive the desired behavior.

- Organizations must choose the correct model based on their unique requirements.

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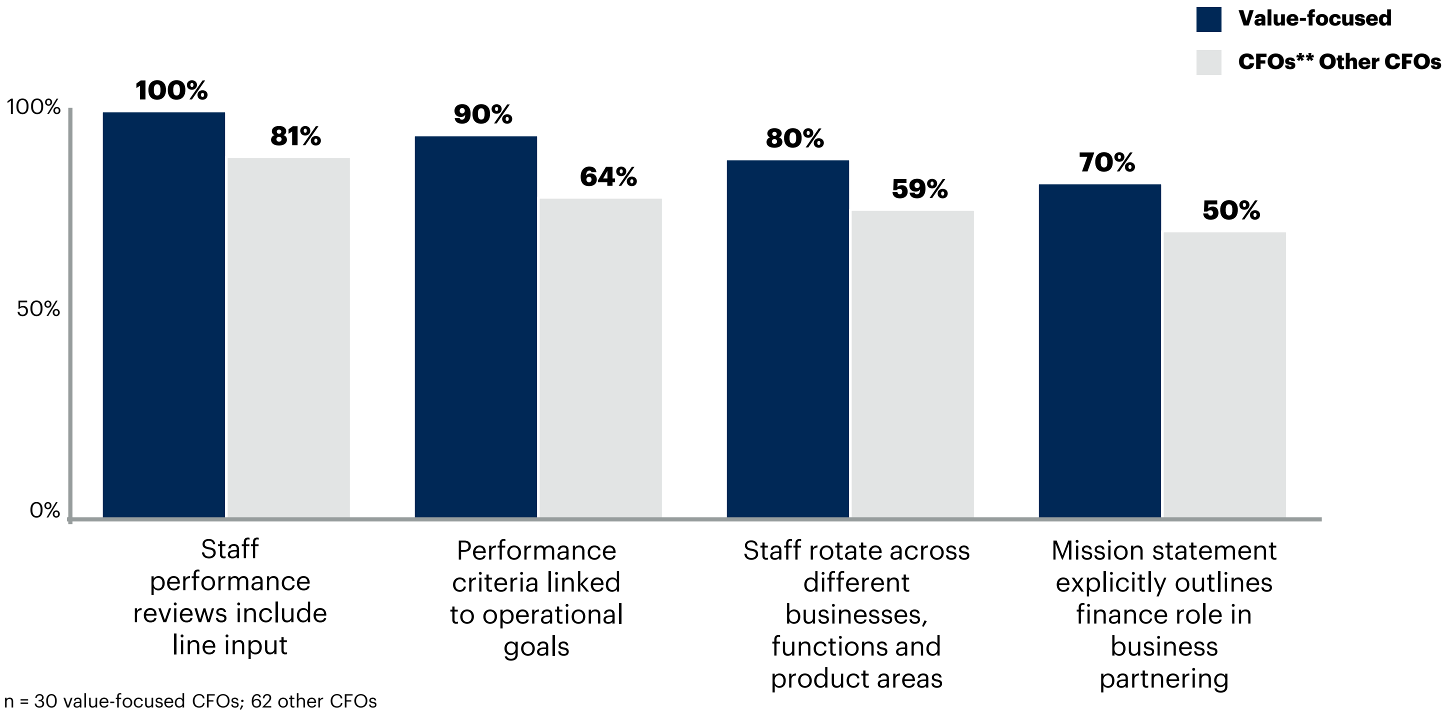
Don't over-rely on org charts to drive behavior

Mechanisms used to encourage embedded finance* to partner with line managers
Percentage of global CFOs



n = 30 value-focused CFOs; 62 other CFOs

Making the matrix work

- Ensure that senior leaders help matrix leaders maintain an enterprise, rather than a domain-specific, point of view.
- Foster collaboration skills, especially during the implementation stage, so managers have a realistic sense of how a matrix organization will impact their day-to-day work.
- Develop supporting mechanisms, such as objectives, performance measures and incentive systems, that reflect and reinforce the desired balance of power.
- Design org structure elements, such as layers of management, information flows, etc., to support the desired balance of power.

Source: Ronald Jean Degen, "Designing Matrix Organizations That Work: Lessons from the P&G Case," globADVANTAGE, 2009.

*Finance staff in dedicated roles that provide analytical support to managers in business units, other functional areas, or product lines.

**Value-focused CFOs were selected based on the following indicators: finance priorities focus on value creation; line managers view their finance function as a "true" business partner; and their relationships with embedded staff are effective or highly effective. This group is more likely to have a positive relative average TSR than their peers.

Redrawing reporting lines will not inherently foster the desired staff behavior; instead, use role definitions, incentives and performance measures to encourage collaboration and partnership.

Bridge the gap

Accounting services liaison (ASL) bridge between center and BU

Illustrative

Corporate center

Chief Accounting Officer (CAO) Leadership Team	
Interaction frequency	Weekly
Information flow	▪ The CAO updates ASL on emerging accounting issues ▪ ASL notifies the CAO of new transactions requiring interpretive guidance

Accounting services liaison

ASL qualifications

- CPA
- Operational accounting background
- Strong communication skills
- Business acumen
- High performer

Business unit

Business unit management	
Interaction frequency	Daily
Information flow	▪ ASL provides the business with day-to-day accounting advice and analysis ▪ BU management involves ASL in all daily business decision making

Line accounting	
Interaction frequency	As needed
Information flow	▪ ASL relays regulatory or business changes that will affect line accounting processes ▪ ASL assists with high-level process troubleshooting ▪ Line accounting advises ASL on process improvements and communicates information needs

Source: Anadarko Petroleum Corporation.

Anadarko uses accounting services liaisons (ASLs) to bridge the communication gap between accounting and business unit management.

- Establishing a permanent ASL presence in BU management ensures consideration of accounting implications from the onset of any transaction or initiative.

“Because of our ASLs, we know in advance what the business units are contemplating. This prevents us from closing the books incorrectly and having to reopen them later to figure out what went wrong.”

Bruce Busmire, Chief Accounting Officer, Anadarko Petroleum Corporation

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Determining optimal spans of control

Decision criteria to determine optimal spans of control*

Decision criteria	Description	Effect on spans
Nature of work	If subordinates' work is trivial or routine in nature, they require less supervision than those who handle complex projects.	Managers who supervise routine work can have wide spans of control, whereas managers who supervise complex work will have narrower spans.
Management methods	If subordinates can go to staff assistants or other employees for routine assistance, managers can spend less time with each direct report.	Managers who delegate authority can reduce the amount of time consumed in relationships with subordinates, allowing spans to increase.
Subordinate training	If subordinates are well trained, they tend to require less guidance from their supervisors.	Managers who supervise well-trained employees or employees whose jobs require nominal training tend to have broad spans.
Autonomy	If subordinates are experienced professionals who work without close supervision, managers will be less involved in day-to-day work.	Managers of subordinates whose goals align with organizational goals can handle wider spans.
Congruence of goals	If subordinates have goals congruent with other subordinates' goals and the goals of the organization, a manager can provide less direction.	Managers of subordinates whose goals align with organizational goals can handle wider spans.

*Span of control refers to the number of direct reports each manager has.

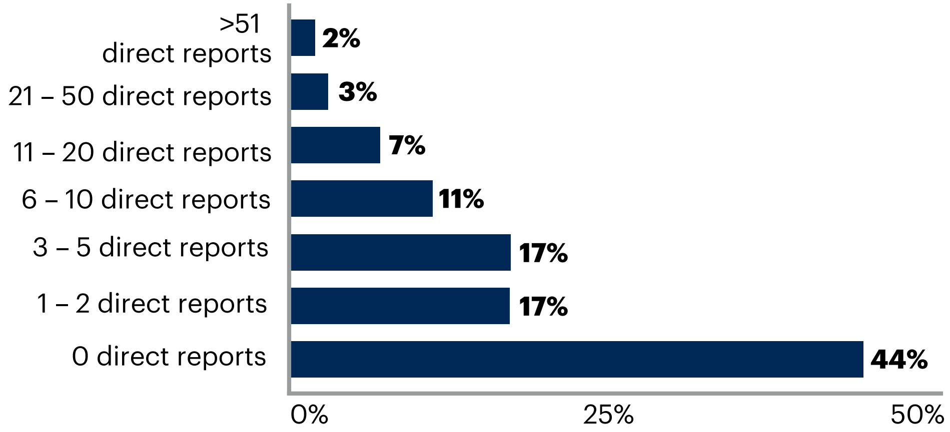
- Narrow spans allow for close supervision and fast communication between superiors and direct reports, but they can also lead to many management levels.
- Wide spans increase autonomy for subordinates and lessen administrative expense, but they also offer less individualized attention.

Spans of control depend on industry type, organization size, nature of work and managerial level, as employees in different levels have different responsibilities.

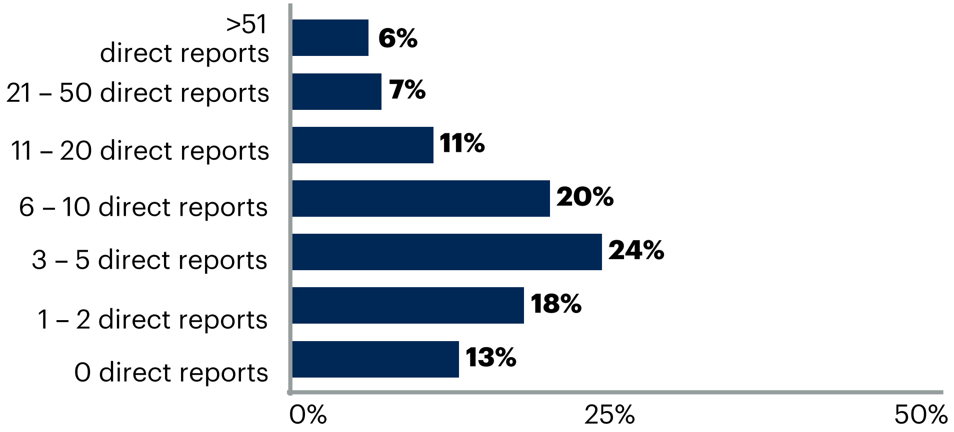
- Inappropriate spans of control may affect managers' abilities to assign and complete work efficiently, conduct effective performance management and develop future leaders.

Span-of-control benchmarks

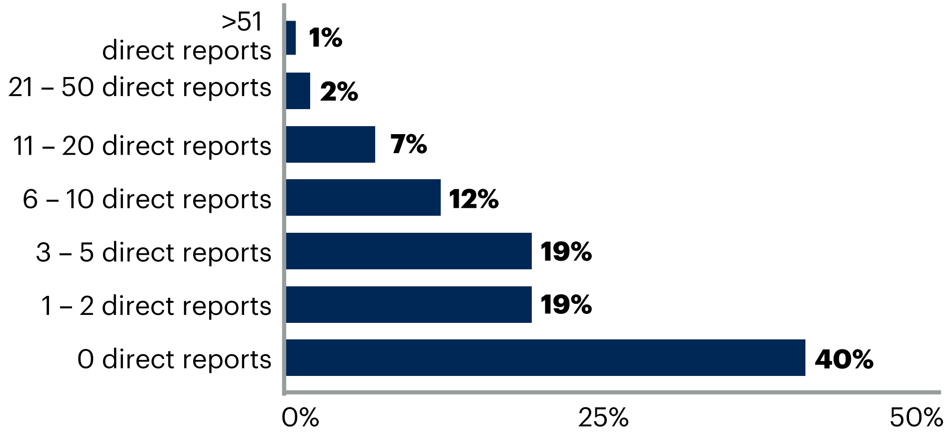
Span of control: All levels



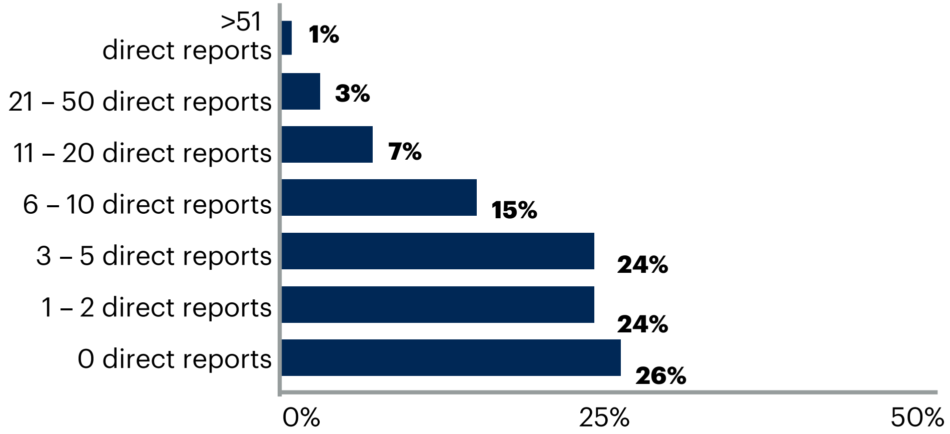
Span of control: SVP and above



Span of control: Middle manager



Span of control: First-line manager



We can help you redesign finance structure and roles to support growth

- There is no one-size-fits-all finance organization structure: size, location, industry complexity and level of centralization all drive how a finance department is set up.
- We break down how finance leaders have structured their function.
- We outline proven strategies and tactics for providing finance data, insight and decision-making support across the enterprise.

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