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INSIDER'S PERSPECTIVE

SUPPORT FUNCTIONS

Which organizational model to maximize added value for the company?

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In the relentless race for competitiveness, support functions are usually relegated to mere cost centers, their primary directive becoming nothing more than rigorous cost reduction or outsourcing — a shortsighted view that often overlooks their potential for strategic value creation. In reality, they can turn out to be key drivers of effectiveness and overall company performance.

Far from mere back-office functions, departments like Human Resources, Finance, or Information Systems are the indispensable enablers of organizational effectiveness, providing the foundational infrastructure and critical tools that ensure seamless operations execution. They have three main roles:

- Strategy definition: providing direction & driving structural choices
- Transactional support: particularly saving time for operational teams
- Control: securing the application of laws and strategies.

Though not directly generating revenue, their ability to become true partners of operational teams is decisive in creating value for the company.

This article explores the right organizational choices that drive the value added and performance of support functions.

Support function or operational function?

The distinction between "support" and "operational" functions is rarely clear-cut. The true categorization of any department is dynamic, determined by the company's specific activities.

Consider Purchasing. Although generally regarded as a support function, it is a fully-fledged operational function in the assembly industry, where supply chain management is an integral part of the flow of operations (from design to manufacturing).

In this article, we define a support function as the one that does not run one of the company's "core" activities.
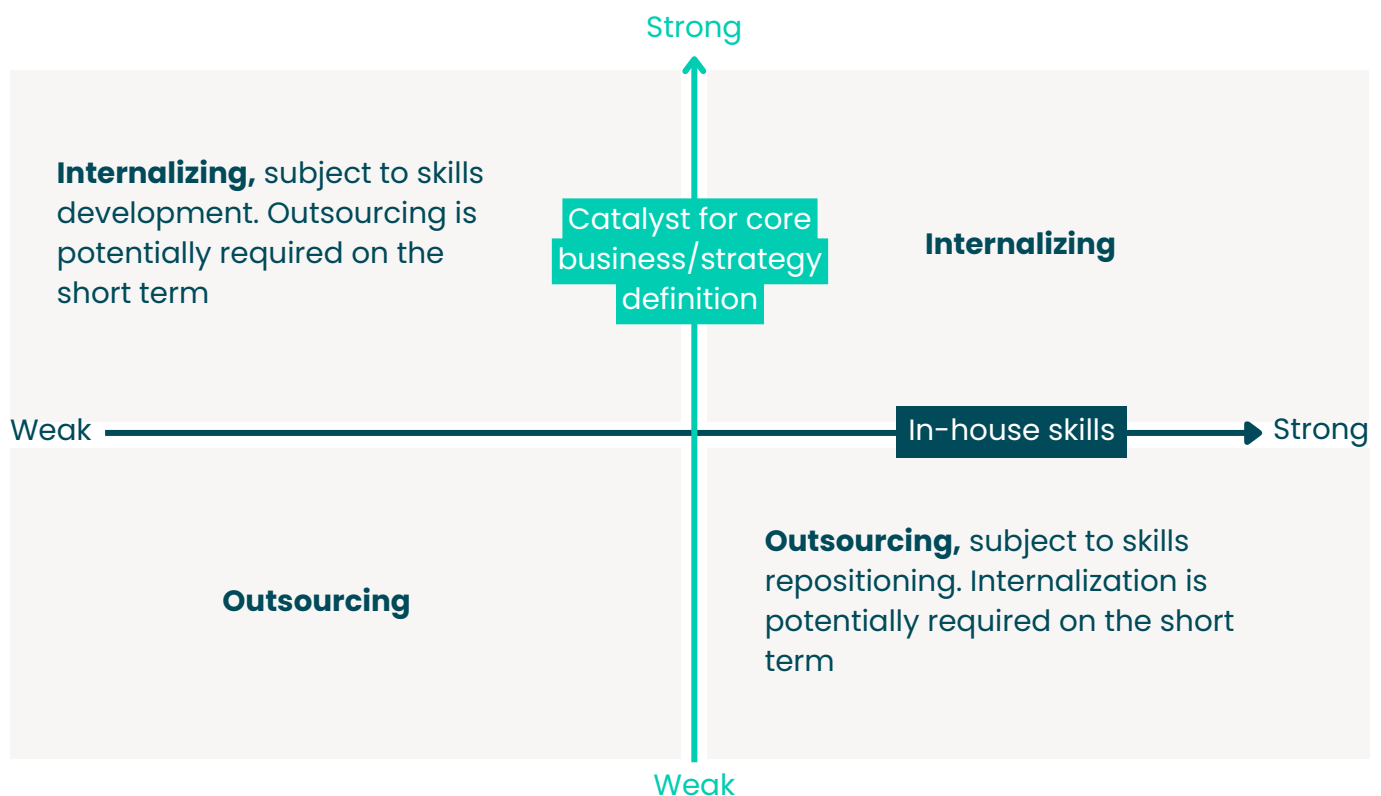
Questions to be addressed

Before considering how to optimize the organization and governance of support functions, a few structuring questions must be addressed.

/ Internalizing or outsourcing?

This dilemma, a cornerstone of any company's "Make or Buy" strategy, requires a clear identification between support functions genuinely enabling the core business, and/or coping with strategy definition. These support functions are to be retained and developed internally. For instance, defining a company's digital strategy and architecture is too critical to outsource, unlike issuing and sending invoices to customers.

The availability of the right skills in-house may lead to the internalization or outsourcing of activities in the short or medium term. However, this should not preclude long-term reorganization of the company.

In a nutshell

Strong

Internalizing, subject to skills development. Outsourcing is potentially required on the short term

Catalyst for core business/strategy definition

Internalizing

Weak —————————————— In-house skills ——————→ Strong

Outsourcing

Outsourcing, subject to skills repositioning. Internalization is potentially required on the short term

Weak

/ Centralizing or decentralizing?

Centralizing a support function sharpens expertise and professionalizes the activity. However, this can unintentionally create "out-of-touch" experts who no longer respond optimally to the needs of operational teams.
Decentralizing a support function with locally deployed activities fosters proximity to these needs. This enables greater responsiveness and allows for better adaptation to local specificities and requirements. However, each local entity often operates independently, leading to elevated costs and suboptimal outcomes (narrower view, heterogeneous practices and sometimes misalignment with the company's strategy).

Centralization is ideally suited for activities that are transactional (e.g., accounting and payroll), inherently cross-functional (e.g., wage policy), or demand high standardization (e.g., branding).
Decentralization is typically better suited for 'local' activities sensitive to geographical or product-specific factors (e.g., HR, which depends heavily on local culture and laws, or sales administration, which must match with customers' typology and distribution channels).

In a nutshell - Benefits and risks

CENTRALIZATION	DECENTRALIZATION
+ • Expertise • Professionalization	**+** • Adaptation • Reactivity
− • Out-of-touch experts • Disconnection from the field • Limited autonomy for operational functions	**−** • Heterogeneous practices or lack of skills • Inconsistency with corporate strategy • Increased costs

In some cases, a hybrid model, with a Business Partner acting as an interface between central and local teams, can enhance cost efficiency and performance and secure the right business standardization mechanisms at the local teams level.

In any case, the choice to centralize or decentralize activities must come from compromise and arbitration, bearing in mind that there is no one-size-fits-all organizational choice.

/ What are the links with operational functions?

The paramount question then is: how can we ensure optimal alignment between the objectives of support and operational functions? Hierarchical steering can be sufficient in some situations. However, complex or matrix organizations, where resources are shared to support both business lines and project demands, may require the establishment of a strong functional reporting channel.

Effectively addressing these questions requires consideration of the company's current context, dynamics, and multi-year projection. There is no shame in changing position considering shifts in the company's market, competition, playground, territory, etc.

Each company, depending on its size, sector of activity, DNA and culture, will respond in different ways. However, whatever the resulting target organization, and governance, certain common principles need to be applied to ensure their success.

Efficiency and added value at lower cost

In addition to the ideas developed in this article around organization and governance, maximizing the added value of support functions also involves seeking for efficiency, added value with limited capacity/resources, as well as minimizing cost, via, for example, a review of processes, team sizing, and productivity.

Key success factors

How do we ensure that implemented organizational choices truly deliver the intended added value?

/ Align support function organization and governance with overall corporate strategy

Consistency is essential to ensure resource optimization and maximum added value.

Building an organization that reflects the business is fundamental. It must mirror the objectives, encompassing the positioning, level of decentralization, the structure, and management layers. The chosen structure also needs to reflect various aspects of the company's strategy: product positioning, geographical presence, etc.

The level of centralization and decentralization of operational functions must, in particular, shape consciously the target organization of support functions, since these choices must reflect the company's DNA and culture.

Thus, a company may decide to centralize its support functions for two reasons (and despite pure normative criteria mentioned before):

- promote the consistency of the organization as a whole when the operational functions are also rather centralized or,

- counterbalance the decentralization of the operational functions by positioning the support functions as a safeguard for the company's overarching vision and strategic consistency.

Rigorous governance, aligned with the company's management framework, is also essential. It encompasses the establishment of a clear escalation process and regular feedback loops. The more complex and decentralized the organization becomes, the greater the demand for transparent and effective governance is, becoming indispensable for safeguarding performance and maintaining business visibility. The key success factor is to cultivate collaboration with operational teams by setting up coordination mechanisms to ensure mutual understanding and respect for each other's prerogatives. This can also be complemented by the development of complementary skills to secure the link between support and operational functions.

/ Define clear missions and objectives, aligned with Business goals

To effectively serve the business, support functions are compelled to define their "raison d'être" and their missions precisely; in particular by establishing Service Level Agreements, describing specific, measurable deliverables, thus guaranteeing the quality and speed of their services.

This exercise will be more difficult if the value proposition of a support function is complex to define (e.g., accounting). In this case, the driver will become the assessment and mitigation of the risk of non-performance.

In some cases, operational functions have to acknowledge that the primary objective of support is less to serve immediate short-term needs than the more global achievement of corporate objectives and the proper execution of processes. Defining shared, collective objectives between operational and support functions is therefore essential to ensure long-term strategic alignment and all stakeholders moving in the same direction. Quite often, the simple fact of communicating a consistent set of objectives to all, covering both support and operational functions, leads to better mutual understanding and a more dynamic team spirit.

A clearly defined scope of missions and objectives for a support function can naturally lead to it taking ownership of its own budget. This shift is especially relevant for functions like Information Systems, as it enables the strategic mutualization of means and resources as well as the maximization of Digital's value for every operational unit.

/ Use digital tools to streamline the organization of support functions and their interfaces with the rest of the company

Digitalization offers a unique opportunity to streamline organizations and rebuild connections often distorted by structural decisions. Digital tools allow to overcome the limitations of centralization or decentralization by creating bridges between departments. Collaborative platforms and visual management cockpits, for example, encourage information sharing and the co-construction of projects, thus reducing silos between functions.

Additionally, digitalization facilitates access to unified, freely circulating data, freeing up reporting time for support functions and offering transparency to the business on the progress of activities. In short, digitalization provides flexible collaboration tools and optimized information flows.

Digital helps to make organizations more agile and resilient, even when they are highly decentralized and/or outsourced.

The development of artificial intelligence and Gen AI is opening up new opportunities for support functions, both in terms of efficiency (e.g., task automation, service responsiveness, etc.) and reduction of organizational constraints (e.g., information sharing, collaboration platforms, common document repositories, etc.). Ultimately, this could lead to new organizational models.

Conclusion

Optimizing the organizational model of support functions is a pivotal performance lever complementing the traditionally favored focus on efficiency. The challenge is to elevate support functions from perceived cost centers to value drivers by aligning their structure directly with the company's strategic objectives and overarching governance.
To achieve this, companies must rethink organizational models, meticulously considering their size, business nature, maturity level, and development ambitions, all while applying common sense and pragmatism.

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