



Coming
together while
splitting the
business



Spin-offs create a catalyst for business service transformation

Organizational spin-offs can provide unique—and tremendous—opportunities to reimagine operating models, leapfrog competitors, and create momentum for future success. The once-in-a-lifetime change gives leaders the chance to abandon functional silos and adopt a collaborative, multifunctional global business services (GBS) operating model to serve the enterprise.

The massive disruptions created by carving out a business unit offer windows of great opportunity, but they also come with great risk. Is changing the operating model too much change to digest? What is the right pace for change? How long does the window stay open? How do leaders create a new mind set among employees who worked for the previous business? How do leaders meet expectations for shareholder value? What will enable success? Where are the hidden traps?

The perfect storm

Once a business decides to spin off a unit—essentially build a company from scratch—the perfect storm begins to build. Strong leaders see the tempest as an opportunity to establish a new

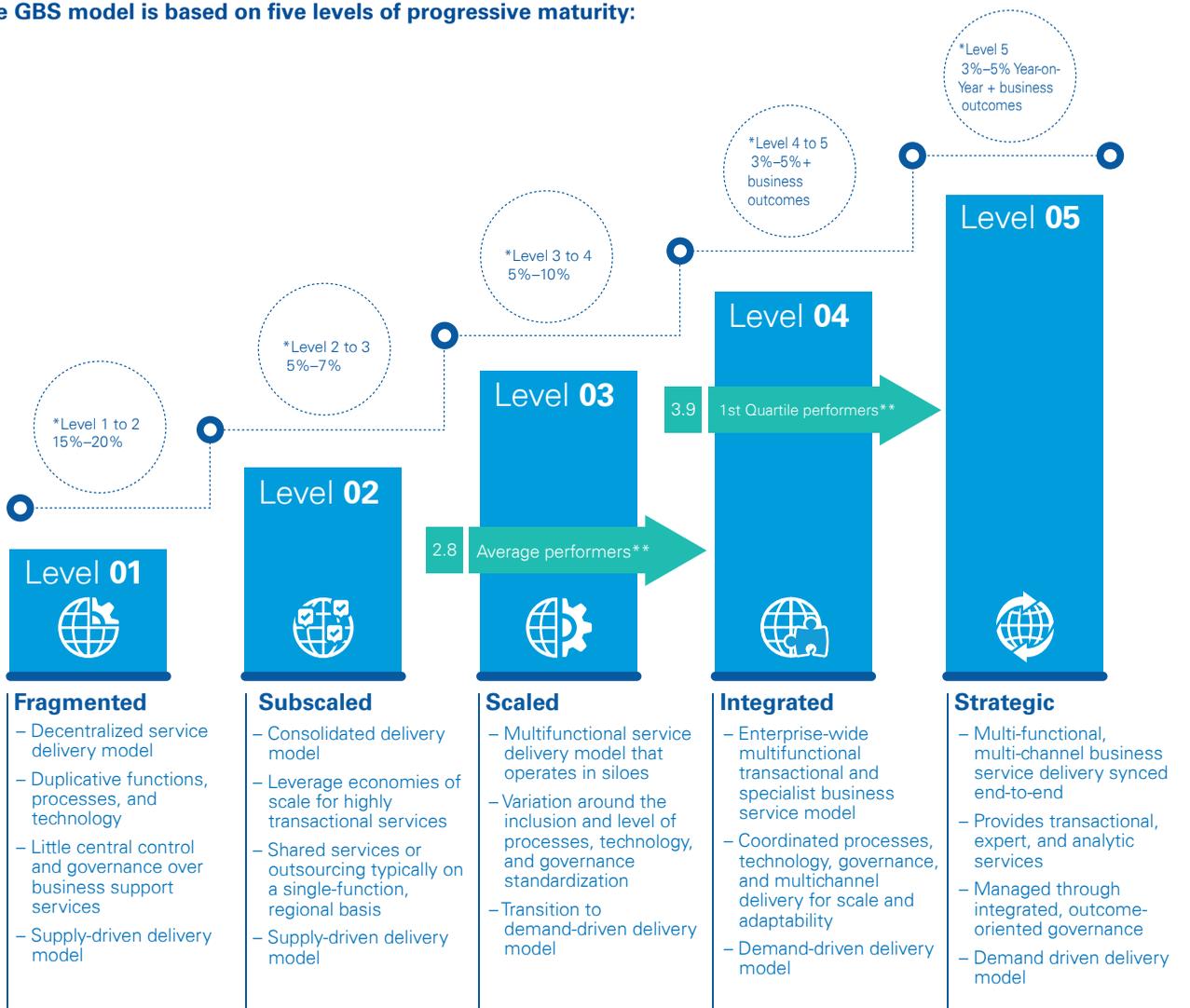
normal, articulate a new value proposition, create a new culture, set higher expectations, propel the new business far ahead of competitors, and set the stage for long-term industry leadership.

But when the pace of change moves like lightning, decisions have to be made fast. Spin-offs do not have the luxury of spending time building consensus or seeking multiple levels of reviews and approvals. The new business will not wait.

Leapfrogging maturity

The fast-paced, fresh approach offered by a spin-off is a rare opportunity to break away from average performance and jump ahead in maturity. Established companies seeking to improve service delivery performance often must overcome we've-never-done-it-that-way attitudes and other baggage, but spin-offs can generate enormous momentum that enables them to leapfrog the competition and create a new model for delivering enterprise-level services such as procurement, human resources, finance and accounting, and information technology (IT).

The GBS model is based on five levels of progressive maturity:



The leaders of spin-off companies—often working in full entrepreneurial mode and without the pressure to maintain the status quo—ask themselves a basic question: What is the best operating model for our organization? Their answer typically pushes them toward a Level 4 or Level 5 in the GBS structure.

Principles of success

With so much in motion and so many decisions to make so quickly, it is easy for leaders to get distracted, worn down, or derailed. A set of principles, managed correctly, can help the new organization weather the storm, rally it for success, and establish GBS as the operating model of the future:

- **Align GBS across executive, functional, and business leaders.** Get the executive team leading the change aligned and enthusiastic for the future-state vision to pave the way among corporate, business unit, and geographical stakeholders.
- **Create an officer-level position for the GBS executive,** with authority to make timely decisions.
- **Establish a strategic framework for growth.** Build and design a delivery structure to support rapid organic and inorganic growth using a leveraged cost model that allows fast integration of new business.
- **Think strategically about leveraging the new platform** without being inhibited by structures of the previous company.
- **Consolidate under the GBS brand and culture.** Design a value proposition and brand for GBS that boldly personifies efficiency, excellence, responsiveness, and innovation while enhancing its ability to grow in breadth and depth.
- **Empower end-to-end global process owners.** Expand the role of global process owners to empower and lead change, drive accountability, break down functional silos, increase leverage and standardization, and align metrics to required business outcomes through end-to-end process ownership.
- **Exit transition service agreements (TSAs) fast and safely.** Create strong alignment between the TSA exit and the GBS road map in a way that is consistent with tax representations made in the government ruling process.
- **Meet targeted benefit estimates.** Ensure that the new GBS organization supports ongoing cost reduction and competitive requirements and negates stranded costs related to the separation.
- **Embrace enabling technologies.** Consider developing technology centers of excellence that allow GBS to determine the technology portfolio quickly and put the structure in place to adapt to changes quickly.

Snares and snafus

Of course, choppy waters are inevitable as the storm moves through; decisive, focused leadership is critical to avoid unnecessary snares, which may include:

- **Baggage:** It's easier to throw the baggage from previous companies overboard during a storm, but, human nature being what it is, some people may hang on to their notions of how things ought to be. While many will be excited by the opportunities ahead, others will not want to give up functional silos to a GBS organization.
- **Culture:** For a new organization to succeed and attract top talent, leaders will need to change much of the culture, including processes such as succession planning and the reward system. Members of the GBS team—those transitioning from the old company as well as new hires—must feel that they have a vested interest in the organization.

- **Focus:** Perhaps the biggest snare is a loss of focus. With a new company under construction—and the massive disruption that accompanies that enterprise—people can feel anxious and lose focus as they move farther from their comfort zones.

The opportunity for the organization to come together during a spin-off offers tremendous benefits. Make the most of it. And while a vision for a new operating model can provide clear direction and serve as a unifying force during a time of disruption, the clock ticks continually. Time is not on your side during a spin-off.

Learn More

We invite you to learn more about KPMG and about creating an operating model for a spin-off company.

- Access our latest research and thought leadership from KPMG Shared Services and Outsourcing Institute: www.kpmg.com/us/goGBS
- Learn more about our services: www.kpmg.com/us/gbs
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Case study

Industry:

Pharmaceutical

Client:

An \$18 billion spin-off of a major global pharmaceutical company

Who should read:

Business services leaders supporting a spin-off



Client challenge:

The spin-off company needed to separate its operations in finance, human resources, procurement, IT, and distribution and logistics from its former parent company, which had agreed to provide these services during a transitional period.



Approach:

We leveraged our deep functional, technology, and tax capabilities as well as our standard Value Delivery Framework to approach the solution from an enterprise perspective. Together with our client, we brought the right depth of knowledge at the speed required to meet aggressive timelines while proactively managing risk.



Client results:

We helped the client mature its business service model from a fragmented and country-based model to one that used a high degree of leverage through regional centers of scale, centers of expertise, and third-party relationships. Achievements included: development of a new target operating model, the evaluation and selection of outsourcing service providers, deployment of the new operating model, and creation of a set of metrics to enable the company to control and improve service delivery.

How KPMG can help

www.kpmg.com/us/gbs

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