

FROM OVERHEAD TO EBITDA

Resetting HR, Finance and
IT for Structural Margin

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Execution-Led Value Creation

Central functions are addressed last and cut bluntly in cost programs – and left to grow unchecked in growth phases. Both habits are expensive. A structured reset delivers structural margin in either context. The ambition is the same: **overhead that never rebuilds itself.**

Central function programs operate in two distinct contexts – but the discipline is the same in both.

In a **cost program**, the most effective approach starts with a **top-down 20-25% reset target**. This is not a headcount exercise. Bottom-up measures define where the impact comes from – automation, operating-model redesign, sourcing moves, and demand control. Headcount reduction is often a consequence, not the starting point.

In a **growth context**, the ambition is equally concrete: central function costs should **grow at no more than 50% of the revenue growth rate**. The measure is efficiency – revenue per headcount, IT cost as % of revenue, care ratios in HR – improving or holding flat as the business scales.

The tools are largely the same. The best operating models deliver both.

Central functions are not overhead. They are the operating system of EBITDA and speed. In most industrial transformations, they represent 10-15% of the cost base and 50% of execution speed.

HR: From Administration to an Industrial Service Engine

HR efficiency is an operating-model question. The starting point is a functional analysis mapping activities, capacities, transactional intensity, and cost – separating core vs. non-core work and transactional vs. expert effort.

Most inefficiency stems from fragmented local setups, blurred role boundaries, and excessive manual transaction work.

A structural reset typically includes:

- Separation of non-core activities through digitalization, outsourcing, or shared services

- Consolidation of core HR roles and increased spans of control
- Migration of suitable transactional processes into shared service centers or external providers
- End-to-end review of the HR system landscape and process harmonization where fragmentation exists

Technology enables but does not define the model. Modular HR stacks – combining HCM cores, recruiting tools, workflow engines, and analytics – are effective where governance and data ownership are clear.

The outcome is measurable productivity improvement. In industrial environments, a **care ratio of 1:70** for core HR is a common benchmark, adjusted for complexity and geography.

HR in growth

During growth, HR must scale throughput without scaling headcount linearly.

Key measures include alternative recruiting models, further digitalization of lifecycle processes, and clear separation between scalable transactional services and scarce expert capacity.

The efficiency signal remains stable or improving care ratios despite workforce growth. Additional KPIs

to measure efficiency are **time to hire and cost per hire**.

When central functions scale slower than revenue, the transformation is real. Everything else is presentation.

Finance: From Scorekeeper to EBITDA Control Tower

Finance transformations begin by separating transactional activities from analytical and steering roles.

Cost reduction is achieved by industrializing the engine:

- Automation of high-volume accounting tasks through RPA and workflow tools
- Migration of stable processes into shared service centers
- Zero-base review of reporting to eliminate non-decision-relevant output
- Simplification of structures and removal of legacy complexity

As automation and shared service centers absorb volume, headcount reduces structurally, often through attrition.

Finance in growth

In growth phases, Finance must steer profitability rather than scale cost.

Priorities include profitability visibility by product or business line, early detection of EBITDA leakage, and fast decision-relevant reporting.

The key metric is **revenue per finance headcount**, which should improve or remain stable as revenue grows.

IT: From Cost Center to Scalable Platform

IT is the one central function where cost and complexity compound each other. Every unmigrated system, every overlapping application, every unchallenged vendor contract is both a cost line and a drag on execution speed. The reset starts with a single discipline: only fund what the business actually needs.

A structural IT reset requires four simultaneous moves – not sequential ones:

Demand control: Categorise all project spend by strategic intent – Protect (regulatory), Run

(continuity), Grow (ROI-positive), Transform (innovation). In a cost program, funding only Protect and Run immediately removes a significant share of external project cost.

Application rationalisation: In most industrial IT environments, the majority of applications run on-premise and on ageing infrastructure. A systematic migration to cloud – combined with decommissioning of redundant applications – converts fixed legacy cost into scalable operating cost.

Sourcing model reset: Commodity services – infrastructure operations, application management, and service desk – are candidates for outsourcing. Internal capacity should concentrate on governance, architecture, and business alignment. The target is a leaner internal core that orchestrates external delivery rather than running it.

Workforce skill shift: The largest share of IT effort in most organisations sits in operations roles – the lowest-value activity. The target operating model requires fewer operations resources and more orchestration, architecture, and vendor management capability. This is a skill shift, not just a headcount exercise.

In practice, these four moves compress the cost base structurally and shift internal capacity toward work that drives business value.

IT in growth

In growth phases, the discipline shifts from cutting to scaling smartly. IT cost must grow under-proportionally to revenue – and the primary lever is where capacity is built, not just how much.

Low-cost location strategies allow IT headcount to scale for growth without proportional cost increases. Offshore delivery models, extended workbench structures, and flexible staffing absorb volume while core locations retain governance, architecture, and business alignment.

The key metric is **IT cost as % of revenue** – it should compress or hold flat as the business grows.

Synchronization is the lever

Shared services without automation fail.

Automation without governance leaks savings.

Governance without ambition stalls.

A top-down 20-25% target forces real trade-offs and accelerates bottom-up ownership.

Execution requires sequencing decisions across HR, Finance, and

IT so savings are structural and synchronized.

Case snapshot

At an industrial manufacturer, a structured central function reset delivered €60M+ in savings – representing approximately 20-25% of the central function cost base.

In the subsequent growth phase, central function efficiency improved by 30% – through under-proportional cost growth.

From Cost Line to Value Engine

Execution is never frictionless. Structural cost resets require sequencing across labor frameworks, system landscapes, and implementation investment.

These are solvable constraints – not reasons for delay. What matters is decision speed, sequencing, and locking impact into the P&L. That is where most programs fail and where disciplined execution matters:

- Costs reset structurally, not temporarily
- Growth is absorbed without proportional overhead increases
- Leadership sees impact in EBITDA and cash – not just in slide decks

That is when central functions stop being overhead and start becoming industrial value engines.

A central-function reset is complete only when the cost base stays down and growth does not rebuild it.