



KPMG Elevate Industry Perspectives

Navigating change in
Industrial Manufacturing



Industrial manufacturing: Solutions for a changing era

KPMG insight on performance improvement

While conglomerates in the automotive, aerospace & defense sectors serve very different customer bases, all face seismic shifts in their markets: fast-changing fiscal and economic conditions, geopolitical turbulence, supply chain and source-materials risk, competition for critical talent, and unending pressures to innovate. They also face game-changing opportunities to grow, retool their customer value propositions, evolve their business models.

From vision to execution: emerging best practices

All C-suites face pressures to deliver improved value. In current conditions, many find that “more of the same, but better” will no longer meet either short- or long-term performance objectives. Select IM enterprises are pioneering technology-enabled paths to value creation, by combining agendas to grow revenue, optimize costs, increase margin, and reinvent themselves. In our experience, the external details of every company’s performance journey will differ, but share underlying priorities and approaches, which include:



Articulate the strategic vision. Define the destination for the company in terms of business model and financial ambition. Evaluate and factor for organizational maturity as a starting point, then leverage tested roadmaps to achieve the vision.



Create the right organization/portfolio. Align corporate governance and structure to optimize delivery of the strategic vision. Divest assets that do not fit the strategic vision, acquire, or partner with those that do. Use M&A as a mechanism to accelerate to target outcomes, reduce shareholder risk and improve performance along the way.



Finish the digital transformation. Support trusted data – “a single source of truth” – as an enterprise-wide strategic objective to support continuous performance improvement. Begin with a robust, data strategy – covering baseline governance: roles and responsibilities, and protocols for acquisition, storage, custody, access and use of data.



Recalibrate risk management. Invest in dynamic risk frameworks that can evolve as exposures change. As IM companies migrate to “smart” business models, newer categories of digital or reputational risk – e.g. customer data privacy or ethical AI – supplant older categories of physical risk, such as worker injuries or real-time machine failure.



Align culture and talent—create opportunities. Secure the enthusiastic – and sustained – support of the managers and employees who will execute the change and work in new ways. Design new roles and career paths, using robust change management and learning programs to incentivize desired skills and behavior.



Quantify results. Create rigorous enterprise metrics that tie performance improvement back to enterprise financial statements. These can be directly tracked, by financial measures of cost, growth, or margin financials; or indirectly captured, by KPIs that track measures such as capital efficiency or risk reduction.

Building blocks of in-year impact:*

Rapid and lasting bottom-line impact starts with assessment, to identify opportunities that will tie back to corporate and portfolio strategy, systems, tools and governance structure.

Elevate execution typically targets four dimensions of performance improvement, with contributing value levers adjusted for sector and company-specific factors:

Revenue & Growth

- Omni & digital C/X improvement
- Customer strategy/personalization
- Marketing & promotional efficiency
- Sales force effectiveness
- M&A category expansion

Gross Margins

- Pricing/promotions optimization
- Manufacturing footprint optimization
- Product profitability/SKU rationalization
- Distribution & logistics efficiency
- Direct procurement

Overhead Optimization

- Org efficiency & effectiveness
- G&A rationalization
- Indirect procurement saving
- Working capital optimization
- Technology cost reduction

Reinvention

- New markets & formats
- Digital innovation
- New business models & partnerships
- Marketing/loyalty program repositioning
- Real estate rationalization

(*Team: Source is Elevate Messaging Deck, slide 3. Note there are several versions of this slide in the deck, on slides 3, 9, 12. This one makes the most)

KPMG Elevate: A robust approach to performance improvement

Elevate is our distinctive way of identifying and quantifying value for client transformations, turnarounds and transactions. Our holistic approach is designed to fundamentally and sustainably improve financial trajectories, through a balanced focus on growth and cost. We use a multifaceted approach, grounded in analytics and leading insights:

Rigorous

Gain deep insights into your company's opportunities to create future value, through rigorous analysis of your data by KPMG professionals with deep experience in your industry.

Rapid

Leverage rapid assessment and market-tested, industry-specific strategies that can help you quickly optimize costs and strengthen liquidity to drive business performance.

Results-driven

Position your business to realize in-year, bottom-line outcomes, as measured by significant EBITDA improvement and net margin improvements in multiples and a clear return on investment.

Real collaboration

Achieve sustainable results with an implementation roadmap, shaped in collaboration with your team. Working closely together, we stay with you every step of the way, to turn your vision into operational reality.

Conclusion

Market leading IM businesses think from a transformational mindset, and look for new ways of working, to get and stay ahead of competitors

To find out more



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An IM inflection point

In the quest to keep pace with reshaped markets, select IM companies are fundamentally rethinking assumptions. They see the convergence of multiple disruptions as a sector inflection point, which they can leverage to their own advantage.

The target state: Robots and humans work together in an intricate dance orchestrated by sophisticated production systems. Raw materials and components arrive from around the world ready for use; finished products are staged in automated warehouses. Data and technology are used to develop and support new business models, such as solutions "as a service" that go beyond manufactured products, and reset customer value propositions.

The IM businesses embracing these visionary changes are set on delivering short term performance. But they are also future proofing themselves, to continue thriving regardless of business conditions.*

Source: "From Traditional to Smart Industrials"

Learn more about how KPMG Elevate supports transformational change in the Industrial Manufacturing industry:

[Learn more](#)

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