Earnings Optimization Strategies

Fuel growth strategies while improving your cost structure

Does your company have the right earnings improvement program to fuel its growth strategy?

A successful earnings optimization strategy allows a company to optimize its earning profile and provides the CFO and the expanded executive leadership team with the option of making investments to fuel the growth strategy or return the value created to shareholders.

Funding investment capital through earnings and driving incremental earning optimization is a key lynchpin for growth. However, most cost reduction efforts focus on drawing the last penny out of the existing business via blanket budget reductions, without necessarily considering the implications and requirements for the future – whether it is moving to new business models, investing in new technologies, or reconfiguring the operating model.

Case Study – A different approach to Earnings Optimization Strategies

A multi-billion dollar high-tech equipment manufacturer was interested in transforming its business model from hardware to software and services, in parallel looking to improve earnings to fuel its growth strategy.

KPMG teamed with the CFO and executive team to develop a customized approach to identifying less valued investments and in turn identified capabilities, markets, and products to reinvest for growth.

- Defined financial aspirations & strategy
  - Assessment of portfolio and market sizes/trends
  - Cost & operations baseline
  - 3-phase growth plan
  - EBITDA targets
- Established targets
  - Cost structure design
  - R&D investment plans
  - Capability requirements
  - Divestment options
  - Timelines and expectations
- Identified/prioritized investments
  - Detailed opportunity designs
  - Operating model structure
  - Budget rationalization
  - Capability investments
- Managed earnings improvement
  - Established corporate performance dashboard
  - Institutionalized management operating rhythm

Results

Plan to improve valuation by 3x over a 5 year period and a 5% margin improvement in the first 18 months
At KPMG, we offer both Tech industry and functional experience to manage the entire equation for Earnings Optimization Strategies. We have experience partnering with CFOs and their broader leadership team (e.g., CEO, CTO, CSO, etc.) to help guide their strategic and financial positioning to a desired future state.

**Differentiated Approach**
- Joint ownership between CFO and Business Strategy
- Strategy-through-execution experienced team
- Cross functional, cross businesses optimization
- Earnings optimization driven by practical, industry-specific insights

**Proprietary Benchmarks and Analytics**
- **40,000+ data points** for insights into ‘best-in-class’ companies’ performance
- Built using proprietary data and other standard sources
- **2,000+ KPI’s across 2,500 +companies**, covering cost and staffing aspects

**Tech Industry Experience**
- **20+ years experience** with leading corporate clients
- Tech thought leadership:
  - *Operating Models*
  - *Innovation*
  - *Big Data*

**Sustainable Financial Results**
- End-to-end capabilities to help you accelerate results
- Proven industry approach and methodology
- Superior analytic tools
- Strategic planning and corporate performance dashboard frameworks
KPMG’s Strategy Practice combines an experienced team of industry focused professionals with end-to-end functional capabilities to maximize value for our clients. KPMG takes an enterprise-wide view to business transformation to help companies connect strategy with execution. Using our Nine Levers of Value methodology we help KPMG’s approach integrates and leverages existing areas of strength and competency that guides companies from the development of a business model to monitoring business transformation.

9-Levers approach to strategy-through-results

- KPMG’s strategy methodology connects the business model design (strategy) and operating model (execution)
- The process starts with an articulation of the 3-4 financial performance targets
- The ‘business model’ delivers revenues, potential market, proposition and brand options are evaluated for growth
- Core business process such as product development are matured as the lynchpin between the ‘business model’ and ‘operating model’
- The “operating model” defines the optimal operational and technology infrastructure, organization, governance, and culture required for success
- KPIs are converted into dashboards to enhance visibility, control, quality and speed of decision making

Leading practices in the technology industry

- We bring Technology industry-specific insights and ideas to our clients, grounded in research, superior analytics, benchmarks, and KPMG’s proprietary data of engagements across a range of industries
- We work with our clients to optimize or launch existing and emerging high-tech business and operating models, e.g., subscriptions, consumption-based, service/software oriented, and outcome-based
- Our professionals bring high-tech industry experience, and work with you as “thought partners” as you navigate through the complexities of an integration and a rapidly changing business environment
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