


Your Flight Path to Success

Achieving High Performance in the Global
Aerospace and Defense Industry



High performance. Delivered.





To sustain high performance in the aerospace and defense industry, companies must possess speed, flexibility and precision, characteristics that Accenture sums up as agility. Commercial and military players face a set of increasingly shared challenges that require an agile response. They do business in a multipolar, networked world in which data hold the same, or greater currency as the assets they represent and where today's customer may be yesterday's competitor and tomorrow's supplier. The industry has consolidated. New programs are scarcer. Cost and revenue pressures are increasing.

In short

The market demands availability. The rise of low-cost carriers and the inexorable deregulation of international routes make aircraft availability and utilization key inputs into profitability in commercial aviation. Similarly, the focus of military procurement has shifted from buying parts to buying what the war fighter needs: an asset that is available and leads to a successful mission the first time, every time.

The world is expanding—and shrinking. Globalization and the multi-polar world bring new opportunities for selling and partnering, yet the financial and budgetary burdens of producing and purchasing aerospace and defense products limits the number of new programs that can be undertaken.

A successful program requires a tightly knit partnership in which knowledge, material and risk are managed across borders.

While the number of new programs has decreased, the planned lifespan of programs has increased. Even as they design new programs with longer operational lives in mind, aerospace and defense companies are introducing services to support both their new and existing products for years to come. Defense programs such as performance based logistics and through life availability contracting only serves to reinforce this trend. Accenture offers six tailored industry solutions that help global companies and their partners deliver high performance in this dynamic environment: capabilities based lifecycle management, engineering services and business process outsourcing, mergers and acquisitions and post-merger integration, program profitability, sustainability and talent management.

Shifting to Services and Capabilities-Based Lifecycle Management

Aerospace and defense companies are changing from product-focused original equipment manufacturers to service-oriented original equipment providers, supplying not assets, but asset availability. This big move needs a real transformation that affect how the company think, design, develop, produce and sell.

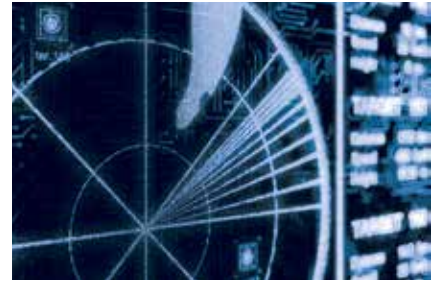
In order to reshape and reposition themselves successfully into a service orientated way of working, aerospace and defense companies will need to:

- Transform from part-makers into sub-assembly and systems integrators.
- Manage outcomes-based arrangements, e.g. availability and performance based logistics contracts.
- Assume financial risk and manage programs to minimize risk and drive profitability.
- Design and build programs with configuration upgrades in mind.
- Develop a set of capabilities to manage assets for the duration of their life cycles.
- Adapt quickly to changes, e.g. regulation, customer operating tempo.

Supply Chain Risk Management

To deliver high performance, aerospace and defense companies must fundamentally rethink the structure and purpose of their supply chains. Accenture's Capabilities-Based Lifecycle Management (CBLM) help to make this transition happen.

Along with Accenture's deep supply chain skills and our industry and IT acumen, CBLM positions our clients to create high performing supply chains that will support long-term asset availability well into the 21st century.



By combining our understanding of aerospace business process and financial requirements with leading analytic, supply chain, and supplier management technologies Accenture works with our clients to identify specific risks, implement processes and tools to mitigate risks, and monitor on-going risk. From strategic sourcing to managing engineering changes, from supporting supplier quality to implementing and sustaining vendor managed inventory programs, and from implementing analytics to using them to support program delivery and financial performance, Accenture understands and addresses the key challenges of the multi-tier supply chain.

When aerospace and defense companies have to make, manage and monitor assets, Accenture have developed large and strong sets of offerings that address those needs:

Engineering Services and Business Process Outsourcing:

- BPO help to generate stakeholder value by increasing the performance of business services while maintaining a manageable cost structure. Accenture's BPO solutions for aerospace and defense build upon

our two decades of BPO experience and our deep industry skills. While some look at BPO purely in terms of labor arbitrage. Accenture views BPO as a means to achieve high performance in underserved or non-core areas, while freeing resources to focus on high value activities.

- Our Engineering Services solution supports drawing updates, common part maintenance and other vital-but lower value-tasks, allowing in-house engineering staff to focus on innovation and higher value activities.
- Mergers and Acquisitions (M&A) and Post Merger Integration. A decrease in organic growth opportunities, relaxed domestic regulations and greater access to international markets make M&A an increasingly attractive growth strategy for aerospace and defense companies.

At Accenture, we have helped hundreds of our clients achieve high performance by identifying and extracting the value from M&A and perpetuating it through effective post-merger integration. Today's high performers in M&A deals have reinvented their merger integration with new approaches.

Program Profitability

The global challenges facing aerospace and defense companies are driving demand for not only new growth, but also greater profitability in existing programs. In the defense business, government customers are holding contractors increasingly accountable to decreasing program budgets. In commercial aerospace, margin pressures and the need to involve multiple partners in a program mandate an increased level of program discipline. Profitability is not simply a matter of cost reduction. It also requires new mechanisms for extracting the value from existing programs and opening new channels for growth such as aftermarket support. Our Program Profitability assets help us quickly and systematically analyze a program's cost structure to understand primary costs and determine opportunities for potential savings. We work closely with our clients to identify opportunities to reduce sourcing, manufacturing and delivery costs and then implement governance models and change management approaches to help maximize return and mitigate risk.

Drawing on our industry experience and our broad knowledge of leading cross industry practices, we help clients identify and capture profit opportunities, targeting areas that will have the greatest impact on return on investment, profitability and shareholder value.

Supplier Development

Accenture works with A&D companies to create a comprehensive and sustainable approach to supply chain risk management. This includes using standardized assessment categories and defined benchmarks for supplier maturity and readiness. We conduct 'as-is' assessment for every site and supplier (including those at lower tiers)

and use those to tailor a development plan to confirm each supplier is able to meet future requirements as they change and programs ramp up. Development plans are constantly monitored – including thorough on-site visits –and sanctions for non-compliance are defined and agreed.

Sustainability

The goals of sustainability link a company, its profits and the environment and community in which it operates. As part of a truly global industry, aerospace and defense companies are uniquely positioned to take steps that will not only substantially impact their local environments and communities but also their bottom lines. Today, the aerospace industry contributes 2 to 3 percent of the total manmade emissions of carbon dioxide (CO2) released into the atmosphere each year.

Aerospace and defense companies deal with hazardous materials and must track them for both environmental and national security reasons. In both cases, sustainable business practices can not only address environmental concerns but can also contribute to high performance.

At Accenture we work with our clients to define their sustainability strategies, implement specific programs, and operate sustainability initiatives such as 'green' data centers.

Talent Management

Winning the 'war for talent' is a priority in all industries, but perhaps none so much as in aerospace and defense. As the generation that brought the industry through the Cold War, spurred the age of intercontinental jet travel and survived the cutbacks that followed begins to retire, there are fewer people with the right skills available to take their place. Yet this is not the only

talent challenge. More than ever, human talent separates high performers from their competition.

We combine Accenture's Human Capital Transformation approach with our aerospace and defense experience to help our clients overcome the challenges that stand in the way of rapidly and cost effectively building strong workforces.

Using these tools, we work with our clients to increase workforce productivity, decrease workforce attrition, decrease time to competence, lower learning costs, and streamline human resource management.

Embedded and Mission Software

Within an environment where equipment and software become the critical components to fulfil the aircraft mission, Accenture has broad experience in creating mission critical systems, addressing both on-ground and on-board support, as well as the integration and communication between them. On-board real time mission planners, on-ground mission support systems, health management systems, pilot debriefing & analysis tools, integration with AGE, data integration with the aircraft, all of them within different aerospace environments are snapshots of our knowledge and experience.

Our capabilities in delivering these systems encompass:

- Software development services, with specialized teams and a differentiated organization to manage the specific challenges of these software solutions.
- Product maintenance & management, with ability to support the product evolutions, as well as to provide readily available support to air forces personnel, including pilots and ground staff.

- Testing services, using specialized architectures and environments, to simulate operational conditions and meet military security constraints if needed.
- Training services, with qualified personnel focused on mission lifecycle support solutions.
- R&D transformation services, increasing delivery efficiency while respecting specific constraints of mission critical systems.
- Solution engineering & consulting services, working together with the aircraft engineers, to provide a seamless integration to support mission success.

Aerospace and Defense Security

Cyber Security is an escalating global challenge. Accenture help A&D companies manage their security risks and capitalise on new business opportunities, through the analysis, design and deployment of advanced information and cyber security solutions. We have substantial experience in helping aerospace and defense companies protect their data and systems against cyber threats. We advocate a proactive approach to cyber security, assisting clients in mitigating risks before they can be introduced into an infrastructure or digital asset. Using advanced tools and analytics, we can understand, and help predict and protect organizations against internal and external cyber threats. As a result, our clients can streamline or shorten 'sense and respond' capabilities and refine their defenses, thereby saving the time and funds demanded by manual operations.

Helping our Clients Become High Performance Businesses

Accenture combines over three decades of experience and insight in the aerospace and defense industry with our extensive cross-industry functional and IT skills to help our clients become high performance businesses. We work with our clients to operate their businesses using consistent, accurate data that provide the right information to the right people at the right time.

We recently:

- Developed new materials management processes and implemented supporting technologies to support a leading aircraft engine manufacturer's inventory rationalization and service improvement initiative.
- Worked with a major aerospace company to develop the supply chain and IT capabilities it needed to support a major availability contract for its military customer.
- Conducted program profitability diagnostic for a major defense

contractor that identified significant savings in procurement and other areas.

- Designed a new supply chain model that helped a major aerospace manufacturer improve its customer service levels and lower operational and support costs.
- Worked with a major aircraft manufacturer to transform a shared services organization to improve service and retain workforce knowledge.
- Helped the United States Defense Logistics Agency, the logistics support agency for over three million armed forces personnel, transform itself into a more proactive manager of suppliers possessing total asset visibility on items in stock, in transit and in the field.

Our clients recognize that Accenture has the global presence, industry insight, functional acumen, and technological strength to help them emerge as high performers in the multi-polar world.



About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 261,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses

and governments. The company generated net revenues of US\$27.9 billion for the fiscal year ended Aug. 31, 2012. Its home page is www.accenture.com

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