

KPMG in the **US** helps leading **aerospace** and **defense** company achieve **25 percent** overhead reduction after restructuring



A leading aerospace and defense (A&D) company recently recognized the need to take a more aggressive approach to cost cutting. Although their decision was driven partly by the economic downturn, the main driver was an expected decrease in US defense spending. Knowing that less funding and fewer contracts would increase competition across the industry, the company began to look for effective ways to improve their competitive posture by cutting unnecessary costs and accommodating the need to be flexible moving into this unsure time. They soon realized that significant reductions in overhead could be achieved by undertaking an

operational and financial restructuring of their core business sectors.

A team led by KPMG in the US was engaged by one of the sectors to identify risk management opportunities that could help ensure a return on their investment in the restructuring project. After an initial assessment and analysis, KPMG Advisory and Tax specialists assisted in the development of a new organizational structure, optimization of engineering, operations & material processes, analysis of overhead pricing, and establishment of rate structures that would improve competitiveness and forward pricing rate proposals to the US Department of Defense.

Client benefits:

- Improved decision-making and lowered risk
- Accelerated time-to-value and ROI
- Supported in addressing complex Federal Acquisition Regulation and specific aerospace and defense-related accounting issues
- Developed highly competitive contract pricing rates



“ The right cost-cutting
strategy
can help enable
companies
to offer more
competitive
bids and pricing while still
supporting
their margins. ”
Randall Love, Advisory Principal
KPMG in the US

Leveraging KPMG experience and knowledge

A team of professionals from across the KPMG network brought to the table a broad range of experience in change management involving large-scale, internal restructurings. They also provided a highly granular understanding of complex A&D contracts, Federal Acquisition and Regulation (FAR) issues, federal tax regulations and accounting procedures relevant to the A&D industry.

At the same time, KPMG Advisory specialists carefully analyzed the

various impacts of re-organization to overhead costs and demonstrated how cost reductions could improve the company's competitiveness.

Based on their experience and knowledge, KPMG professionals were able to guide the company through a myriad of critical decisions throughout the project. The KPMG team also identified a number of other ways to contain or eliminate costs. These included an assessment of accounting treatments, a competitive analysis of service contracts and a thorough assessment of impacts on existing programs.

When the restructuring was completed, the client reported a reduction of 25 percent in overhead costs. KPMG's services were recognized as a key success factor in achievement of the business improvement results.

Impressed with KPMG's performance, the Corporate parent has asked the KPMG team to help them with additional projects, including a cost takeout initiative in another sector as well as with the consolidation of overall IT cost and billing structures into a single corporation-wide model.

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Designed by Evalueserve. **Publication name:** DI Case Studies. **Publication number:** 111109E. **Publication date:** November 2011