



A procurement assessment helps aerospace company elevate awareness of third-party spend, saving millions

Keys to Success

Change Requested

Investigate the finance function executive's sense that indirect spending lacked sufficient controls

Change Envisioned

Produce a business case, based on a comprehensive assessment of third-party spending, for achieving 10 to 20 percent cost savings on the addressable spend

Change Achieved

Identified significant process-improvement opportunities related to sourcing, contract and pricing issues. These improvements are being implemented and are nearing completion.

When an eagle-eyed finance executive noticed that his aerospace company's third-party spend on goods and services had soared, he sought outside experts to help rein it in. The subsequent comprehensive assessment by Protiviti revealed an opportunity for the procurement department to reduce that spending by 10 to 20 percent. Impressed with the precision of Protiviti's spend diagnostic, the CFO enlisted Protiviti to execute its proposed plan to reduce the spend. The selection was based on several factors, including Protiviti's extensive experience with spend assessments across multiple industries and understanding of the highly specific and unique regulatory requirements and guidelines governing the purchase of goods used in the maintenance and repair of aircraft.

The spend reduction effort, currently underway, is thriving thanks in large part to the finance executive's ability to set and communicate clear expectations. What he sought was 1) a comprehensive approach to the spend assessment, analyzing spending data from numerous information systems and spreadsheets, and 2) specialized expertise to implement changes to the way the company purchases goods and services from vendors throughout North America. By deploying Protiviti to make these process improvements, the executive wisely kept his busy procurement team focused on their day jobs.

The spend reduction effort, currently underway, is thriving thanks in large part to the finance executive's ability to set and communicate clear expectations. What he sought was 1) a comprehensive approach to the spend assessment, analyzing spending data from numerous information systems and spreadsheets, and 2) specialized expertise to implement changes to the way the company purchases goods and services from vendors throughout North America. By deploying Protiviti to make these process improvements, the executive wisely kept his busy procurement team focused on their day jobs.

Data Mining for a Comprehensive Assessment

As is the case in many organizations, the aerospace company's procurement team was finding it impossible to apply fixes to its processes "in midair" — its members had precious little time to step back from their daily activities to investigate where and how spending could be reduced. The fact that spending data was scattered across multiple systems and numerous spreadsheets throughout the company added to the challenge.

The assessment, conducted over seven weeks, consisted of a diagnostic that covered spending on goods and services during a two-year period. Crucial spend data resided in eight different systems in multiple locations, including a number of legacy applications and individual offline spreadsheets, calling for some detective work on behalf of the Protiviti team. After researching and understanding the unique industry and regulatory requirements, the team collected data from the various systems, crawled through that information and pored over vendor contracts.

The comprehensive diagnostic identified all the vendors the company used, how much was spent with each vendor, and the prices of all the goods and services that the company purchased during that 24-month period. Additionally, Protiviti examined all of the contracts in place with vendors, the terms of those agreements, and how contracts and prices for similar goods and services differed from vendor to vendor. Finally, Protiviti compared all of this spending information to similar purchases and agreements at other organizations.

Three Areas to Improve

The results of the spend assessment uncovered a major cost-savings opportunity — 10 to 20 percent of \$100 million addressable spend. The opportunity existed because the company routinely bought the same goods and services from many different vendors, which frequently resulted in wildly inconsistent pricing. The business case presented to the CFO laid out how the company could achieve the identified cost-savings and improve its sourcing and procurement practices. Three areas featured prominently:

- The purchase of maintenance supplies and parts
- The purchase of shop supplies and facilities management
- Credit card usage and associated fees

Crystal-Clear Communications

The financial executive and his team gave the all-clear to the Protiviti plan, and implementation began shortly after the case was approved. It is well underway and proceeding smoothly, thanks to the decisive action for improvement and clear and forthright communications coming from the finance executive's office. When questions or issues arise, they are addressed quickly and effectively.

Although the company did not have the bandwidth or all of the experience necessary to assess and improve its sourcing and spending activities, it possessed the leadership and teamwork skills necessary to optimize its investment in Protiviti's sourcing and procurement expertise. Whatever turbulence lies ahead, the aviation company's procurement department is ready to handle it.

Protiviti is a global consulting firm that delivers deep expertise, objective insights, a tailored approach and unparalleled collaboration to help leaders confidently face the future. Protiviti and our independently owned Member Firms provide consulting solutions in finance, technology, operations, data, analytics, governance, risk and internal audit to our clients through our network of more than 70 offices in over 20 countries.

We have served more than 60 percent of *Fortune* 1000® and 35 percent of *Fortune* Global 500® companies. We also work with smaller, growing companies, including those looking to go public, as well as with government agencies. Protiviti is a wholly owned subsidiary of Robert Half (NYSE: RHI). Founded in 1948, Robert Half is a member of the S&P 500 index.