Agenda

- **Who is Textron?**
- **What are some of our Challenges?**
- **What is Cosourcing?**
- **What are Textron’s Innovative Solutions?**
- **What are some of your Solutions?**
Textron’s Vision

To be the premier multi-industry company, recognized for our network of powerful brands, world-class enterprise processes and talented people.
A Simpler, More Focused Portfolio of Leading, Branded Businesses in Attractive Industries

**NETWORKED ENTERPRISE**

- **Bell Segment**
  - Bell Helicopter
  - Textron Systems
  - 22%*

- **Cessna**
  - Cessna
  - 24%*

- **Fastening Systems**
  - Textron Fastening Systems
  - 19%*

- **Industrial**
  - E-Z-GO
  - Fluid & Power
  - Greenlee
  - Jacobsen
  - Kautex
  - 30%*

- **Finance**
  - Textron Financial
  - 5%*

**2004 Revenue: $10.2 Billion**

* Percentage of revenue
Textron is a Global Leader with ~45,000 employees in ~40 countries
Textron Audit Services’ (TAS) Vision

Our Vision is to contribute to Textron being the premier multi-industry company by providing independent objective assurance and advisory services in the areas of risk, control and business process; recruiting and developing future business leaders; and acting as a change agent in the promotion of best practices throughout Textron.
TAS Organization

Vice President
Audit Services

Financial Audit
IT Audit
Compliance Audit
Enterprise Risk Mgmt

Approx. 50 Audit/ERM professional located in Fort Worth, TX; Providence, RI; and Bonn, Germany
Our Challenges...
Auditing a Global, Multi-Industry Company

- Functional Subject Matter Expertise
- Language Barriers
- Government Compliance
  - ITAR, MMAS, etc.
- Information Technology Issues
  - Outsourcing, Offshoring, other specialization
- Increasing Regulations (Sarbanes Oxley)
- Recruiting Scarce Resources
- Work Life Balance
- Do more with less....
- Travel, travel, travel.....
Cosourcing “Defined”

- **Traditional:**
  - Source out jobs and let firms work for you
  - Review audit issues and report

- **Subject Matter Expert Contracting:**
  - SME contracting with team for set audit/period

- **Staff Augmentation:**
  - Seniors/Staff contracted to assist on internal audit projects
Our Solutions...

- Cosourcing
- Textron Innovations
  - Guest Auditor Programs
  - Control Self Assessment
  - Rotational Auditors
  - BU Cross Training
  - Intern Programs internal/external
  - Joint Audits
  - Other Training
Cosourcing at Textron

- **Traditional:**
  - Partnering in ERM Development
  - Security Assessment Review

- **Subject Matter Expert Contracting:**
  - Supply Chain
  - SAP

- **Staff Augmentation:**
  - Financial/IT/Government
**Guest Auditor Program (GAP)**

**Design**
- GAP is a program developed by Textron Audit Services which uses high potential Textron personnel from various organizations, including finance, information technologies, and operations, to assist with internal audits or risk assessment activities.
- GAP requires participants to complete a 2 ½ day training course in Textron’s internal audit methodology.
- GAP participants then agree to participate in at least one audit or risk assessment activity within 12 months of completing the training.

**GAP Candidate Profile:**

Nominated by a Finance, IT or Operations Executive:

- “Best of the Best”
- High Potential
- Experienced Textron Personnel
Guest Auditor Program - Benefits

Increase awareness and effectiveness of audit Function

• GAP participants gain understanding of the role and mission of Corporate Audit.
• Skills and experiences GAP participants bring to subsequent audits will enhance effectiveness of audits.
• GAP participants allow Textron to achieve broader coverage of risks with no increase in audit staffing.
• GAP participants can give internal audit personnel a different perspective on business operations.

Share knowledge and resources across the organization

• GAP participants gain additional networking opportunities.
• GAP participants will both learn and share knowledge across Textron entities.
• Corporate Audit personnel can learn more about business operations from GAP participants.
• Gap participants gain a broader perspective of Textron than can be gained from just their organizations.

Develop Textron personnel’s risk management capabilities

• GAP participants will develop enhanced skills related to identifying risks and establishing effective controls and risk mitigation strategies.
• GAP participants will learn to evaluate business decisions from a risk perspective.
• GAP participants can apply the skills and learning from the program to increase effectiveness of their own areas.
• Risk and control skills learned by GAP Participants can be taught within their own organizations.

Over 40 business unit professionals available for audit assistance
Control Self Assessments

• Sarbanes Oxley provided the impetus for IT & Finance Areas

• Textron is implementing control self assessments in all areas:
  – Design for Six Sigma – Web Enabled design
  – Allows for increased review of key controls throughout the organization
  – Provide for deliverable of an audit to include a control self assessment survey
Rotational Auditors

• **Internal to TAS**
  – Financial auditors assisting with Governmental audits
  – IT auditors assisting with Operational Audits
  – European auditors assisting with IT Audits

• **External (inside Textron)**
  – Hire BU or functional experts
    » Fulltime for 2 years minimum
    » EX: SAP Expert IT Audit; Black Belt ERM
Business Unit Cross Training

- Business Unit Subject Matter Experts partnering with TAS on discrete audits and/or risk assessments.
  - Resources have not gone through GAP
  - Identified as SME
  - Available for assistance in identifying and promoting “best practices”
Internships

• **Internal** (Management Development Program)
  – Integrated Supply Chain
  – Finance
  – Engineering
  – IT

• **External**
  – Working with Select Colleges – UT, UTD, TCU
Joint Audits

Government contracting units (Bell Helicopter and Textron Systems) require oversight from Government personnel (Defense Contract Audit Agency, Defense Contract Management Agency, Naval Audit Services, etc.)

- In order to achieve the most appropriate coverage of risk, and avoid duplication, TAS performs coordinated audits with Government oversight groups where possible.
- Work is shared and typically two reports are issued that may differ in format, but are substantively the same.
- This effort covers all major systems and processes at our Government contracting locations.
Training

• We Cosource training events as well:
  – Guest Auditor (as discussed)
  – Green Belt Certifications offered by business units

• Planned Implementation for 2006:
  – Controls Training for all Black Belt classes
  – Controls Awareness classes for all business units
Cosourcing – Adding Value at Textron

- Addressing real-world issues
- Building a network in our enterprise
- Sharing knowledge/building competencies
- Continuous Learning about the Textron Enterprise
- Preparing for our next career challenges
- Having Fun!
Textron Audit Services
“Vision to Premier”

Other Creative Solutions?