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Announcer: Welcome to HII Talking Points, a Huntington Ingalls Industries podcast. Twice a quarter, we'll sit down with HII leaders to discuss topics of interest in our company and industry.

Phoebe Richards: Hello, and welcome to another episode of HII Talking Points. I'm Phoebe Richards, and joining me today is HII President and CEO, Mike Petters. Mr. Petters, welcome as always.

Mike Petters: Thanks, Phoebe. Good to see you again.

Phoebe Richards: In previous episodes, we've talked a lot about transformation and how HII is changing from within. Part of this change comes from HII's Technical Solutions division, which you have described as HII's growth engine. Today, I want to talk more about growth and how you envision HII strategy going forward. So first off, you've mentioned in the past your desire to build upon and expand HII's core capabilities. What are those capabilities and how can we harness them to grow the business?

Mike Petters: I think the central core of the business is that we are a workforce development company and we create workforce that has a broad range of capability, whether it's any aspect of shipbuilding. There's tremendous technological capabilities, there's craftsmanship, there's leadership, there's lots of just about anything you can think of gets used in the shipbuilding enterprise. The shipyards that we operate are actually larger than the capital – the county seat – of the county I grew up in. If you think about that for a minute, the city that was about ten miles away from where I grew up had about 6,000 people in it. And you know, our shipyards are two or three times bigger than that. And so that's a remarkable array, range really of broad capabilities.

The first piece of it is, we've got to be aware and not just proficient, but we've got to be superior at creating that workforce. And then, you know, we have the advantage that we actually have a customer that wants that. You know, the Navy really needs it, frankly, for what they want to do in the future. But the challenge is how do you get other customers involved in that? How do you create channels of access to other customers for that capability? If we're doing it well for the Navy, that's great. But in this day and age, kind of diversifying the customer set is a way to not only reduce the risk to the business but also actually to bring more capability back to bear on the Navy side. So from my standpoint, it really is all about workforce development and how are we going to manage that.

Phoebe Richards: And so that applies across the board.

Mike Petters: Yes, across the board. It kind of starts and this company has at its core, it's been shipbuilding that has been the core of this business. And you can map out lots of different futures, but it's hard to imagine a future for this company that doesn't have that relationship with the Navy as the core of what we do. We have created capabilities and we have found other customers for those capabilities, and that's been -- we're 8.5 years now into this journey. That's been pretty rewarding for us, and we've expanded our horizon to now not only are we the principal Navy shipbuilder, but we're also a prime for the Department of Energy and we support the intelligence community. And we have

advanced cyber capability in this company. Those are things we didn't have 8.5 years ago. But as we've worked on expanding our capability and expanding our channels of access to these customers, what we found is that there are customers that desperately need this and that – so we could provide good value for that.

Phoebe Richards: So expanding upon the bit that you just mentioned, so HII, like you said, has a shipbuilding legacy, but new acquisitions like G2 and Fulcrum under Technical Solutions, are adding fields like cybersecurity to our portfolio, like you mentioned. So what are some other growth opportunities for the company?

Mike Petters: If you look at the businesses that Technical Solutions is in, those are some pretty cool businesses. I don't think there's any question that the Navy's going to have a future that has more unmanned platforms in it, whether they're undersea or on the sea, I think that an unmanned capability is going to heavily influence the way the Navy thinks about its concept of operations and what kind of fleet it needs and all of that.

We made a very small acquisition a few years ago where we bought the Columbia Group down in Panama City. We were not really buying their business; we were buying their technology. And just to kind of show how this works, they had built *Proteus*, which I think everybody has seen and heard about *Proteus*. It's a manned or unmanned undersea vehicle. And in the process of doing that, they have access to lots of customers that frankly don't interact with Navy shipbuilding. And so, as we began to engage in that process, we began to learn more about what the UUV business was looking like. We've been working really hard with that and we've gotten ourselves into a position where we're now going to manufacture the Excel UUV for Boeing.

Now, I would tell you that we probably would not be in that position had we not made that small investment in the technology, several years before that because that put us into the arena. We weren't at the front of the line, we weren't a prime or anything like that, but we were in the space. And once we were in the space, Boeing made a significant investment in Echo Voyager to demonstrate the capability. The Navy really liked that, and then Boeing turned around and said, well, we've demonstrated it but we really need somebody who understands how to manufacture it to be a partner.

Another area that is very interesting to me, and I think this is one that has been pretty evident for my whole career, we do a lot of environmental work and nuclear work, specifically. And we do environmental work in all of our Navy business, but the nuclear work, specifically in Newport News, the Department of Energy has lots of environmental work to do, and they do a lot of nuclear operations. I have watched us over my whole career try to figure out how to penetrate that market and create access to the Department of Energy. When we created the Technical Solutions division and separated it from the shipyards. We then allowed those businesses to approach the market in a way that's different than they would if they were inside the shipyard and the way shipyards approach their markets. We went – in a couple years, we went from having one – being part of one team in a DOE space to being basically a prime and part of two more teams. It was remarkable the way that just demonstrates to me that we do have a very valuable capability and that we need to make sure that we have – that we are creating the right channel of access to those customers.

Those are two areas that we're working in Technical Solutions that I not only have we had success, but I think that there's opportunity there to expand. And our shipyards go to market in a particular way. Our businesses like AMSEC, Camber, G2, Fulcrum, the energy business, they go to market in very different ways. And having them be inside of the shipbuilding business was unintentionally blocking their ability to go to market. We weren't telling them not to go to the market; we just didn't understand that they needed to do it differently. And so once we put all the companies that go to the market the same way in the Technical Solutions division, we've had really good success there. That gives us confidence that we can then expand those channels to the customers that we've created there, but also to other customers that really need to reach into a deep capability this company has.

Phoebe Richards: So growth is good, but with growth comes growing pains. How do you think we can reduce risk while still transforming and expanding our business?

Mike Petters: Risk is one of those things that we've kind of just got to get our heads around a little bit better. If you go to the nuclear business that we have, we do an awful lot of things in the nuclear business to engineer the risk away from the actual operation. We have a lot of businesses, though, that are not like that, and we have to work hard to make sure that we're not trying to be perfect all the time.

We're on the 50th anniversary of the Apollo moon shot, and there's been lots of stuff this summer about it. And I was nine years old when the mission happened, and I remember it specifically. I grew up in Florida. We could watch the launches on TV and then go out and stand in the back yard – we were on the west coast of Florida. These were happening on the east coast of Florida, but about a minute to a minute and a half into the flight, you could see the rocket going up over the orange trees. It was pretty cool. It was really relevant to me and to my family, and in fact, I have a brother today who is an engineer at NASA. He's actually a program manager at NASA working on the next moon shot, which is pretty cool. But if you go back and you read the history of that program, and specifically my earliest memory is the Gemini program.

The Gemini program – without broad brushing it too much – I think it's pretty fair to say that something went wrong with every one of the launches. In every one of the missions they had in the Gemini program, they had something go wrong. They had ten missions, they were every 60 days they were putting another rocket up, and at the end of it – until the last mission. On the last mission, everything seemed to go okay. Now, I want you to think about the attitude of, well, everything seemed to go okay. All right, let's go to the moon. And that's what happened. You look back on that and say could we do that again? I would encourage folks to say sure we can. That's a leadership issue. That is, about you and your organization trying to find ways to take – to squeeze as much value out of constructive failure as you possibly can.

When people ask me or comment to me about the company is we might be risk averse or something like that, my response to that is, when was the last time you celebrated somebody's failure in your organization? Because if they failed in a way that allowed you to learn something, then that's constructive. And let's find ways to take advantage of that instead of kind of the classic way, which is people make mistakes and they get punished for it and then the next thing is people become afraid to make mistakes and then they don't want to take risk. I think we've got to move on from that.

I think that you don't get to be 133 years old without taking risk. So I think we've got to give ourselves a little bit more credit. I think we actually do take a lot of risk around the company, and I think that we can

celebrate that more, that where we take the chance, sometimes it works out, sometimes it doesn't, but we took the chance and we learned something from it and now we're going to move on. And I would just say everybody's talking about the Apollo program, but remember the Gemini program because that was the one, if they hadn't taken all those risks in that program, the Apollo program never would have happened.

Phoebe Richards: So one last question, switching gears a bit. How do you see our workforce transforming as we continue to grow the company?

Mike Petters: Well, we've talked for most of my career, frankly, about the barbell demographic in the company where, because the end of the Cold War, we kind of lost the middle of our demographic. We have very senior folks and we had very junior folks. I think what's happened in the last four or five years is that – I think there's been two things that have happened. One is the very senior folks are now retiring. The second thing that's happening is the business is growing, and so we're not just hiring to replace the senior folks. We're actually hiring more than that. And I think that our leadership challenge going forward to successfully transform the business is to, number one, take advantage of what our new hires bring to us from a fluency and technology and their cultural fluency and their inclusiveness and all of those things that are going to help people, empower people to be contributors to us.

The second thing is, on the other side, we've got to give them tools. We've got to make sure that we're supporting folks in new jobs with the right set of tools and the right set of mentoring and the right set of help. We're only going to be as successful as they are in those new jobs.

Phoebe Richards: Great discussion. All right, thank you, Mr. Petters, for taking the time.

Mike Petters: Well, Phoebe, it's always great to see you all, and nice talking with you.

Announcer: Thanks for listening to HII Talking Points. This podcast was produced by Huntington Ingalls Industries corporate communications team. We welcome your feedback and ideas for future podcasts at www.huntingtoningalls.com/podcast.

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