



Jan. 23, 2020 Podcast Transcript

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: Hi, everyone, and welcome to HII Talking Points. I'm Phoebe Richards and today I'm talking with HII president and CEO Mike Petters. Mr. Petters, as always, thanks for joining.

Mike Petters: Well, Phoebe, thanks for having me, and good to see you again.

Phoebe Richards: So we have a hot topic to talk about today: constructive failure. When people hear the phrase "constructive failure," their minds could go in different directions. Some people might focus on the word "failure" and cringe, while others focus on the "constructive" part of the phrase and the positivity it can bring. So today I want to talk about what constructive failure means to you and how you see it shaping the business. So let's get started at the beginning. The phrase "constructive failure" has been used in different circles, but how do you define it?

Mike Petters: I think of, I understand why folks find this to be challenging. You know, most of the time we like to think the things that we're doing are right and correct, and if things don't go well we actually try to rationalize it not as failure but as an opportunity to learn something. We have this in our culture. We have not just our culture, but in a lot of businesses the culture is from a career standpoint you can't afford to make a mistake. But the interesting thing to me is that when I talk to folks who have become very senior leaders in organizations and well respected, there's a long list of mistakes that they made and that they learned from.

And so part of the challenge around the phrase "constructive failure" – I like the phrase because it is really an intentional harvesting of those ideas that can help us to be better. It aligns with our view of achieve our full potential, you know, achieve your potential. On any given day you can look back and say, "You know what? There were like ten things that went right, but maybe I could have done that better." That's a little bit of the mindset here around constructive failure--let's go harvest those things. Even on good days we can think of those things that didn't go well and we can harvest from them the ideas and processes that will help us be better.

Phoebe Richards: So you've told HII leaders to look for ways to learn from their constructive failures. Do you have a professional example you'd like to share?

Mike Petters: A couple of different things have happened in my career where things didn't go all that well. But then you step back and look at it and say, "Okay, how can I do that better to make sure that doesn't happen again?" I had an opportunity early in my career. We were doing some welding of some seawater pipe, and it was a new material in the submarine, and it was a new process for welding. I was a construction supervisor and I had a superintendent who had 40 years of pipe experience in the shipyard. When I told him what we were going to do, how we were going to try to solve this first-of-a-kind

problem, instead of stepping into it and saying, "I don't think that's going to work," or "You should do this," I mean he was coaching, but he also gave us a lot of room for us to go and attempt it.

And, long story short, we worked on it for about a week and it didn't work. Our strategy and our approach did not work. And my team and I kind of recollected and regrouped with him, and his first question was, "What did you learn from that?" And then the next question was, "Okay, so now that you've learned that, now what is your strategy and what's your plan going to be?" And I look back on that team, and the handful of folks that were involved in that all went on to become very senior leaders in shipbuilding. I think it's that little bit of a willingness to let's go try that. I know the superintendent had enough experience where he could have actually stepped in and said, "Stop. That's not going to work." We wouldn't have learned as much if he had done that, and he may not have been right because it was a new material and a new process.

I think we do this as a business. We kind of do this when we're executing learning curves on ships. We're doing serial production. We go through phases and we see better ways and we change our processes and we drive it out. And so I think there's sort of a natural – that's constructive failure, even though executing a serial production line doesn't necessarily – you don't use the word "failure" with that, but executing and prosecuting the learning curves is actually a form of constructive failure.

I know that the team at Ingalls several years ago, we went into a competition where the Navy asked us to compete on three destroyers and – with Bath [Iron Works] – and it was the first competition after [Hurricane] Katrina, but it was actually the first competition at Ingalls in about ten years. And so we went through that. We had put a lot of things in place that we were pretty proud of and that we thought were going to pay off for us. We put all that together into the proposal, and we lost. I mean and it really wasn't that close. And the value of that competition was – we haven't lost since.

The value of that competition was that we now had a benchmark where we could say, "Okay, that's where the gaps are. This is what we thought this meant to us. It didn't mean as much as we thought, or we have to go find out, find ways to make it mean more." But the team did that and hasn't lost a destroyer competition since then.

Phoebe Richards: So actually your point about serial production leads me into my next question. So in our industry, I feel like a lot of lessons learned are about avoiding major errors the next time you complete a project, so we'll look back and try to collect nuggets of insight and apply them to the next time we do a project. But in your opinion, does constructive failure go beyond just retracing our steps?

Mike Petters: Yeah. If we get this right, we have lots of daily success in our business, and whether it's a ship leaving on sea trials or for delivery or commissioning or even just getting the tank completed by Friday, all of those things are successful moments that our teams, from the apprentice mechanics all the way to the senior leaders in the company, we take a lot of great pride in that. But if we get constructive failure right, we will still celebrate the success of one of those victories, but then step back and say, "Okay, what could we have done to make it even better? We got the ship launched on time but, man, the last three weeks were just a blur, and we had a whole lot of folks doing heroic things to get that out. We were kind of a little bit of a firefighter mode to meet the milestone, whatever it was. And guess what? We did it. High fives for everybody. We feel really good about that."

Okay, take a breath. Now how could we have done this a year ago in a way that would have kept us from having to call in all the firefighters and just let us do it with the fire preventers? That would be, I think, a sign that the company is getting its head around this harvesting of ideas and looking for failure as an opportunity to harvest good ideas and make the business better.

Phoebe Richards: So I think people are afraid of failure, partly because they're afraid of the repercussions both for the company and for them personally. So how do you separate blame and punishment from failure?

Mike Petters: I think I'm reminded of a comment I heard from a baseball manager who had a runner that was, hit a ball in the gap and was trying to get to second base, and he got thrown out at second base. And of course as we are now getting used to – it happened to be right before the interview inning where he had a microphone stuck in his face, and said, "So what did you think about that? That was a big mistake. You know, it's a tying run getting thrown out at second base." And he says, "You know," he said, "we're an aggressive team and we have a lot of physical ability, and if our team makes physical mistakes I'm okay with that. It's when they make mental mistakes that I get really frustrated, like throwing to the wrong base or getting caught off base in a pickoff play or something like that." He says, "I don't have a lot of room for that, but I have a lot of room for people being aggressive and trying to take advantage of their abilities, and you know sometimes you're going to just have to take the consequences of that."

There are clearly parts of our business where we cannot fail, and the people that are in those parts of our business that are there, they know that and they have a culture set up and established to make sure that we are not going to fail in those spaces. They are harvesting all of those ideas to lower the risk and consequence of that failure. But that's not the whole business. That's just pieces of our business. And there's a larger piece of our business that we can transform if we can get comfortable with taking advantage of our skills and our aggressiveness and our talent, and recognize that sometimes the talent's going to give you an opportunity to take a chance that may not work out, but if you didn't have the talent in the first place you wouldn't have tried it.

I think leaders are going to have to be really clear about how they do that. Back to my baseball analogy, sometimes they give an error to a shortstop who gets to a ball that only two shortstops in the league can get to, because he's one of two shortstops that has the range to get to the ball and then can't make the throw. The other 30 shortstops don't even make the play. So I'd much rather have the player get to the ball, stretching their ability, stretching their talent, squeezing as much capability out of themselves and their team as they possibly can, because I think that for the most, most of the times, those two shortstops are head and shoulders above everybody else and they're performing better than everybody else. So I think we just have to recognize that's what comes with stretching your teams.

Phoebe Richards: Right. On thinking back to your own submarine example, it sounds like that superintendent was open to giving you the leeway, and so you as an employee had that openness and the superintendent had that as well, so there was a trust.

Mike Petters: Yeah, I think that's a good point. I think that was about the team. As I said, most of the folks that were actually involved in that process from the foreman and general foreman level at that point in my career, that was a really solid team that they went on to more senior positions in the company.

Phoebe Richards: So in the past we've talked about the notion that HII is risk averse, and you've pushed back on that view. How can constructive failure play a role at HII, knowing the nature of our business and, like you mentioned, there are some elements that we cannot fail in?

Mike Petters: I heard a story from Alan Mulally one night at dinner when he left Boeing and he went to Ford, and he took with him -- some of the same sort of processes that we have in running programs -- where he had a process at Boeing where he used stoplight charts for processes, red, yellow, green. And when he got to Ford he kind of implemented this, and every Thursday he would have his big program meeting with all of the folks from all over the world. They would either call in or conference in or be in the meeting. And he said it was about six weeks of green dots on PowerPoint slides before he saw his first yellow dot. And when he turned the page and he saw the yellow dot -- and it had to do with the startup of a production line in Brazil or someplace. When he saw that yellow dot he started clapping. And what he told -- there were about six of us at this dinner that night -- what he told us was, he said, "I had to let them know that it was okay to put yellow on the page."

Now, I don't think we have that problem. I think we're actually pretty honest with ourselves in terms of statusing the programs and where they are. But I'm not sure that we're always aggressive in saying, okay, this is where we are, we're in a good place, without the piece of it that says, you know, but if these other seven things had gone right we could be even in better place. And that's the part that I'm pushing on. I'm not pushing on the red, yellow, green stuff so much, but I do think it's a cultural language. You have to be comfortable with, you know, that instead of everybody's a hero -- we have heroes here every day, but instead of everybody's a hero there's a question of what's the expectation for the work, and how do we make an environment where it's safe to say, yeah, we got it done on time but, boy, we wouldn't have had to work so hard in the last two weeks if we had done these things six months ago.

And I think that if we can start to think about our projects in that light, I think that what we'll find is that there's a whole hidden opportunity of value creation in the business, both value creation for the products that we have, but also you'll be able to, we'll be developing more sophisticated and more mature cultural leaders in the organization.

Phoebe Richards: So be a little introspective.

Mike Petters: Yeah. I think it's going to be.. it's a slow change, and we start it from the top of the business, but I'm excited about where things are going across the business and I think that this is a piece that, if we can just raise our game on this a little bit, we'll be able to create a lot more value.

Phoebe Richards: It sounds like we have our marching orders. Mr. Petters, as always, thank you for your thoughts today, and thanks to our listeners for tuning in.

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.

[End of Audio]