

AEROSPACE & DEFENSE GLOBAL LEADERS SERIES

A CONVERSATION WITH WILLIAM SWANSON
CEO, RAYTHEON CORPORATION

By Anthony Velocci

Conducted at the end of 2013, the following interview is one of the last interviews before the Raytheon Co., Chairman and CEO Bill Swanson announced his retirement. Former Aviation Week & Space Technology Editor-in-Chief Tony Velocci spoke with Swanson to kick off the first in a series of dialogues with A&D leaders on their views of what it means to compete in this complex environment and the lessons on which they are drawing to help them succeed.



William Swanson, CEO

Everyone experiences a profound lesson early in their career that ultimately proves instrumental to their success in later years. Did you have such a lesson?

I was Raytheon's youngest plant manager, and from my office window I saw the lot where the plant's 7,000 employees parked. I felt as much like a mayor of a small town as I did a plant manager. The sight made me realize

that one of my responsibilities was to make sure all those people returned the next day, and I remember thinking how could I as a manager and a leader make sure that happened?

I learned that process discipline across an operation—whether it's a plant or an entire business—was key to success. It is the most underappreciated part of doing business, and that applies to all industry sectors. Wherever I go I ask questions of different [non-aerospace] companies about how they do business in terms of servicing their customers. Health care providers, energy firms, banks, you name it—it seems most do not have IT systems that interface and they don't utilize common processes. They simply are unaware of the rewards that come from process discipline.

Aerospace customers have grown more demanding in recent years. How has Raytheon responded to customer expectations in terms of higher cost and delivery performance?

All managers are being held to a higher standard—and I am holding myself to a higher standard as well. We make every effort to look at our execution on contracts from the perspective of our customers. I have a saying here: "When it comes to product delivery, early is on time, because the other saying I have is performance better exceed customer expectations." Not every business leader looks at their organization from a customer perspective.

I had a memorable moment about 13 years ago that drove the point home for me. I was watching a news report on Operation Desert Storm. Two young soldiers struggled to operate a shoulder-mounted weapon that appeared to be malfunctioning. I still have the video. When I recognized the equipment was

Raytheon's my heart skipped a beat. I recall thinking, "What must be running through their minds?" It turned out that neither soldier was injured.

Although the equipment performed as predicted, I sought answers. We discovered a potential gap in the training operators received in service. In the spirit of partnership, I immediately reached out to our government customers to offer support and ensure training consistency so that no soldier would ever again be caught in such a predicament.

What does the term 'customer experience' mean to you?

It means never losing sleep about the product we are going to deliver to any of our customers. I would rather they have to worry about some other supplier. The first step in delivering a superior experience is listening to what your customers expect of you. We follow a pretty simple formula based on fundamentals: Listen to what our customers say, act on what they told us, confirm that we did what they wanted us to do, and find out how we can optimize their experience with Raytheon.

What is the essential quality or ingredient to success that underperforming companies seem to overlook?

Oftentimes, it's less about missing a single ingredient and more about a lack of focus by leaders and companies on the basics. There is a tendency to look for a "silver bullet" when it's the fundamentals that are required and proven over time.

I enjoy mechanical things, like wristwatches. I've learned that if you return a fine timepiece to the factory for repair you better have a backup because it probably will be gone for three to six months. When I ask about the return cycle time, I've yet to find a maker who can give me a straight answer. This tells me they are not focused on matters important to their customers.

You have put a lot of emphasis on creating common processes across Raytheon, but change-management is one of the most difficult tasks to accomplish in any large enterprise. What was the key to your success?

We're in the business of saving lives, and what I have found as a leader is that stories involving our customers deliver a powerful message. They help create a feeling that the whole Raytheon team can get behind.

I receive numerous letters, emails, phone calls and firsthand accounts from people who have been saved as a result of the products we field. One of the most poignant was during a trip to Nellis Air Force Base, where I rode in the back seat of an F-15. The pilot told me about an experience he had on a night mission. He was flying at 40,000 ft. and his radar missile-warning receiver went off; he had been “painted” by an adversary’s target-acquisition radar. He immediately deployed his [Raytheon] AN/ALE50 Towed Decoy System, which is designed to lure enemy missiles away by providing a much larger radar cross section than the aircraft. He said, ‘I wouldn’t be here today if it wasn’t for that system.’

Building a single corporate culture is hard, and an organization instinctively rejects it because it goes down really hard. But the stories I am able to share across the company help people create a bond with the customer and remember the importance of process discipline.

What is Raytheon doing to make sure there are no disruptions in its product-development pipeline amid all the uncertainty and cost pressure in the current and projected operating environment?

Raytheon’s strategically diversified technology and product portfolios position us to achieve success in today’s challenging and uncertain environment. We manage these portfolios by developing product road maps that start with core technology investments and, where practical, commonality. These technologies are the key hardware and software building blocks that are applied across multiple systems.

Even though there may be disruptions in development cycles due to changes in program priorities or funding, the long-term impact is minimized because we can leverage our investments across multiple applications.

This approach has served us well, as it ensures our efforts to produce the right capabilities at the right time. We are a company that has the flexibility to minimize the impacts of short-term obstacles, while enabling us to continue developing differentiating technologies for long-term growth.

Is there an emerging issue or challenge for aerospace and defense companies that may not be on the radar of many companies?

When I started in this industry 41 years ago, it was probably 75 percent hardware and 25 percent software. Today it’s about 50-50. I believe that in the not-too-distant future it will be 25 percent hardware and 75 percent software, at least in the businesses in which we operate.

The implications are that leaders are going to have to think differently in how they develop and manage programs. Decision times will have to be quicker, and testing and validation of products will be more complex. I often think about the CEOs who pre-dated me; they did not have to worry about instantaneous communications. Timelines essentially will disappear. I tell my team that they better not fear social media; embrace it, because everything will be a click away and will require leaders to delegate more responsibility and trust into organizations than ever before.

What is your approach to balancing short-term financial goals and strategic goals involving operational performance?

One of my biggest ‘ah-has’ as a leader was that if you do all you can to take care of your customers and ensure their success, you’re also taking care of your shareholders. At times many companies focus way too much on the bottom line and investors at the expense of their customers.

Sometimes an investor will ask, ‘If I’m not the most important [stakeholder], who in the world is?’ My counter is that if you lose your customers, you will go out of business. Our customers are going to be with us for a long time, and if we perform well enough to meet their expectations, then our shareholders should be taken care of.

In the performance of your job, what can set you off more than anything else?

What drives me crazy is someone who won’t accept responsibility for a problem he or she may have inherited. That is not a good leader, and such a person drives me crazy. The fact that a problem may have been inherited is irrelevant. Fortunately I do not have to deal with this kind of situation often. On the day I became chief executive, we had things that needed fixing. My attitude was that all of the problems—even if they were not of my making—were my responsibility. It’s a management characteristic I look for in leaders.

How should managers at your level be measuring the impact of your ideas?

The key word here is that you have to *measure* them. If you don’t, you have no basis by which to gauge improvement. We have found that with our culture of continuous improvement, if we measure we get results.



A 24-year veteran of *Aviation Week*, Tony Velocci is former editor-in-chief of *Aviation Week & Space Technology* magazine as well as editorial director of Aviation Week Group.

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