

AEROSPACE & DEFENSE GLOBAL LEADERS SERIES

A CONVERSATION WITH KELLY ORTBERG
PRESIDENT AND CEO, ROCKWELL COLLINS

By Anthony Velocci

When Kelly Ortberg took the reins as president of Rockwell Collins in August 2013, he had big shoes to fill—those of Clay Jones, one of the aerospace and defense industry's most effective and most admired CEOs. But Ortberg was prepared; for years leading up to the succession, Ortberg played a pivotal role in helping to shape the business strategies that were in place when Jones retired.

A mechanical engineer, Ortberg ran both the commercial and governmental operations. He also led the launch of Rockwell's Pro Line Fusion integrated avionics system, which has been selected for more than 15 aircraft platforms since its introduction in 2007. He has since been elected CEO. Former Aviation Week & Space Technology Editor-in-Chief Tony Velocci recently sat down with Ortberg for a lengthy conversation about his goals for Rockwell Collins and his thoughts about the industry. Some excerpts:



Kelly Ortberg
President and CEO

When you became CEO, what was your vision for the company?

My role is as much about recognizing market opportunities and pursuing them as anything else. I was handed a very solid company with great customer relationships, very strong market positions, and a wonderful brand. As a result, there was no need for a course correction. I called the

change of command a full-speed-ahead transition. That is not to say we don't have our challenges. Rockwell Collins has been thru five straight years of little or no top-line growth. The low end of the business aviation market, which we serve, still has not recovered from the credit crisis and remains pretty depressed. And the squeeze on defense spending presents its own challenges.

My top priority is to accelerate our return to being a top-line growth company, because generating superior operational performance numbers gets harder every year without revenue growth. That is where our acquisition of Arinc comes in. Arinc is a big technology enabler for us; it is very strong in ground networks and will allow us to expand beyond being just an airplane equipment supplier, to providing a much broader array of connectivity services.

Rockwell Collins has long been viewed as one of the aerospace and defense industry's model companies—based on return on invested capital, productivity, leadership. What is the missing ingredient that generally characterizes under-performing companies?

There are many reasons why a company might be a poor performer, but the two main reasons are they either lost sight of their end market, or they lost sight of their customer, or a combination of both. That is why we continue to invest heavily

in R&D: to advance our technologies and stay very close to our customers in our market space. But it is not just about having the best widget; sustaining a high level of operational performance also requires having your customers' trust and knowing that they can depend on you— particularly on airplane development programs. Currently we invest 18-20% of revenue on R&D.

What is Rockwell's formula for success?

We are very good at taking existing technologies and integrating them with other capabilities in a way that creates new value in a very cost-effective way, based on our understanding of the customer's mission. That really is our secret sauce.

At one time, A&D was synonymous with transformational technologies. Is there still a place in this industry for such investment, given the current emphasis on affordability and industry's increased aversion to risk?

Oh, I think so. An example of where we believe transformational technology in which we are involved is fusing sensors and digital databases to provide an unprecedented level of situational awareness and safety for pilots. Some Internet-related technologies also will prove transformational and open up all sorts of opportunities to provide new and improved services for air travelers. But while there remains a role for transformational technology in aviation and aerospace, you have to balance it with the market environment that exists today. It's no longer about technology at any costs. Customers are looking for best value within budget constraints?

The operating environment for Rockwell Collins and every other A&D contractor is as challenging as it's ever been. How is Rockwell responding to these market forces?

For one thing, we are directing some of our R&D investment into technologies that will help us reduce the cost of the products we

sell. We also are very focused on transferring more commercially driven technologies to the government and military marketplace. For example, we took the commercially certified 787 avionics display system and migrated it to the KC-46 tanker flight deck. In this fixed-price environment, that was done at a fraction of the cost [compared to a new product-development program] and without incurring much risk to the company. We tend to execute very well on such strategies, which I consider a key differentiator for Rockwell Collins. Such application of off-the-shelf technology has to be tailored to the mission, of course, but it still allows us to leverage capabilities derived outside of our R&D budget or the customer's.

How should individuals like yourself— senior management—measure the impact of your performance?

Return on investment and shareholder value, mainly. That is what we are here to do—maximize results. But not everything comes down to a financial measure. Customer satisfaction, as measured by quality and on-time delivery also are important. What we refer to as table stakes—the level of service that supports our brand— is also an appropriate measure. Trustworthiness as a company is another one. So is employee engagement—evidence of whether our employees understand what the end mission is and whether they understand how their job relates to the company's goals. Employees who are not as engaged tend to be less productive as those who are more engaged.

Is there someone in industry, outside of aerospace and defense, who you admire for their leadership skills and business acumen?

I feel very fortunate to have had the opportunity to replace an individual who was a bona fide industry leader, Clay Jones. I learned a lot from him and he continues to be a mentor of mine. I've never met a better communicator.

I am also impressed with what Allan [Mulally] has done at Ford. He too always had a knack of connecting with employees at Boeing, just as he has at Ford, and helping them to understand the strategy that drives success. That's an important lesson for all large organizations—the power of getting everybody rowing in the same direction. What Alan accomplished at Ford wasn't without a lot of help. He would be the first to tell you as much. But he set the tone at the top that allowed the company to become what it is today, which is remarkable.

What lessons do you think other aerospace companies might glean from Rockwell Collins?

We do a really good job of trying to understand our customers and what they want—in some cases, delivering solutions that solve problems they have a difficult time articulating. When are not as successful in a particular pursuit, it is because we did not have that level of customer intimacy. Make no mistake—it is difficult to achieve. As a prerequisite, you need to perform on your commitments, which breeds trust. And when you stumble, you need to jump thru hoops to fix the problem and not push it back onto your customer.

Conversely, what lessons could aerospace and defense companies learn from the best in class outside this industry?

We try to do too much ourselves. The A&D industry burdens itself with trying to develop too many unique solutions. In a strange kind of way, I believe the new [Defense Dept.] budget probably will drive cultural change and ultimately lead to behaviors that allow A&D to be more productive and less inclined to do too much ourselves. At the same time, we're all becoming more global, which is going to require all A&D companies to better understand how to address broader markets with more geographically dispersed supply chains. That too will change the culture of our industry.

China is rapidly coming up in the learning curve. Can you envision a Chinese avionics competitor able to compete with Rockwell Collins in the future?

Yes, someday. China's focus is on creating a commercial aerospace industry. The initial phase of this strategy is to be an original equipment manufacturer, so they are still buying a lot of western equipment, albeit through partnerships and joint ventures. They have the money and they have an indigenous market. With those three ingredients—the strategic goal, the money and the market—they will achieve their goal. Most of the aircraft going into China are filled with Rockwell Collins avionics equipment, and we want to continue to enjoy that position. But as the Chinese develop their own airplanes, we will seek unique partnerships needed to address that expanding market.



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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