

AEROSPACE & DEFENSE GLOBAL LEADERS SERIES

A CONVERSATION WITH PASCALE SOURISSE

SENIOR EXECUTIVE VICE-PRESIDENT OF INTERNATIONAL DEVELOPMENT,
THALES AEROSPACE

By Anthony Velocci

Virtually every aerospace company of any significant size has stepped up efforts to identify business opportunities outside of their domestic markets to offset declines in defense spending. At Thales—a major electronics supplier based in France serving aerospace/defense, space, security and transportation customers—Pascale Sourisse, senior executive vice-president of International Development, is leading that effort. In an interview with Tony Velocci, former editor-in-chief of Aviation Week & Space Technology, she discussed Thales’ growth strategy, and also shared her thoughts on the customer experience, leadership and valuable lessons in her career as an aerospace executive.



Pascale Sourisse, Senior Executive Vice-President of International Development

Last year you were appointed senior executive vice-president of International Development. What is your mission?

Grow our business internationally, and in particular, in emerging markets. We’re still focusing a lot of attention on business opportunities here in Europe, although the French market represents only 25 percent of Thales’ revenue. However, we need to establish a stronger position in other countries that offer very significant growth

potential. For example, we expect double-digit growth in the Middle East, making that region very attractive.

Growing our international business, however, means that we must fully understand all of the requirements, which go far beyond what we probably considered in the past. If you look carefully at what customers in these regions actually expect, they want companies like Thales to not just serve their domestic needs, but also to export products to other parts of the world. They expect us to help develop their economies, including helping to build their indigenous [aerospace-related] capabilities, and provide employment opportunities. This means Thales will need to develop a strategy that corresponds with serving as a good long-term partner. The approach we take in these efforts will vary from country to country, based on their particular expectations. The bottom line is that the growth strategy Thales is implementing involves a sort of industrial policy on a global basis.

After 18 months into your new job, are you happy with the progress you’ve made thus far?

Yes, I believe we’re on the right track. We have a lot of opportunities. The market segments we are addressing are solid. The outlook for commercial aviation passenger traffic is good, and so the growth prospects for various types of equipment in that sector are strong. We are reinforcing our ability to develop services that address the demand for both in-flight entertainment services and connectivity on commercial aircraft. In fact, we’re looking at several opportunities to accelerate the growth of those

competencies, either from a product standpoint or from a geographical standpoint. Another very attractive market for us is ground transportation. It has a lot of infrastructure needs, such as signaling and fare-collection systems, which we supply. Of course, we are expecting no significant growth in the defense market in Western Europe for the foreseeable future, to say the least.

Thales Aerospace is hardly the only player in the markets in which it competes—avionics, training and simulation systems, and air traffic control (ATC) electronics. What distinguishes Thales from the rest of the competitive field?

A key differentiator is that we have very motivated people who are passionate about their work. The other differentiator is innovation around our technology, as well as the way we do business. Our core competencies include software, electronics activities and large systems integration. By using them in various domains that have common points between them, we can combine new approaches to solutions for one sector together with solutions for another sector.

Give me a couple of examples.

The challenge for the space segment is competition and the ability to achieve high rates of launches economically. On the defense side it is winning the relatively few number of new programs that will come along. Everyone will be challenged to execute on programs and keep projects on time and on cost.

What lessons, if any, do you think A&D companies could glean from businesses in other industry sectors?

Cyber security, for both military and civil customers. Thales is an expert in this field. What perhaps differentiates us is that we know how to apply cyber security-related technologies across multiple domains, allowing us to provide effective solutions for protecting the telecom networks of ATC, rail and government customers. Air traffic control, another area in which we are experts, is another example. We are the only supplier that is a leader in both ground systems and on-board aircraft avionics. By combining solutions for customers in both fields, we are able to develop technologies that meet the most demanding requirements across the ATC domain.

A common observation about this industry is that executives at your level have become too risk-averse, too conservative in your approach in managing your business for long-term success. Do you think that is a fair observation?

I would say that is not completely correct. Of course, you have to manage risks. Thales Group launched a new strategic initiative last year called Ambition 10. It has three pillars: Growth, operating performance and people. We intend to grow in spite of declining [defense budgets] in our historical geographic markets. We need to be able to take the risks that will be involved but with a good understanding of how to mitigate them. There is no other way. Otherwise, we will shrink and that's not an option.

Delivering quality products to aerospace customers is far more challenging than it was, say, just a decade ago. For one thing, they have made it abundantly clear they have zero tolerance for cost and schedule overruns. In addition, R&D budgets are under pressure as companies try to preserve operating margins. What is Thales doing to make sure that it remains focused on the technologies that are critical to its future competitiveness?

European aerospace companies have been more accustomed than their U.S. counterparts in operating under fixed-price contracts, with firm commitments on schedule and price. So, if you deliver a product late you are obligated to pay damages, and if your costs exceed the allowable limit, that's too bad for your profit margin. In Europe, we have worked for many years under quite severe budget constraints. In the U.S. it's a very different story.

Our challenge has been to generate sufficient margins to invest in R&D. If we don't make such investments we will be unable to develop new products for customers who require technology solutions. At Thales, a high level of R&D investment is inherent to our overall business strategy. We invest about 20% of our revenues in R&D, which is high compared to many other companies worldwide. In fact, we have always tried to maintain the capability to invest large amounts in R&D, and with competition getting more intense, we absolutely must preserve our capacity to continue to invest in our future.

Tell me about the second pillar of Ambition 10 involving performance. What does it involve?

We are working on substantially reducing costs and improving efficiency. In particular, we're working on how to manage our

engineering activities more cost-effectively, so that we can deliver products to customers at a lower price.

How do you define leadership?

It is the ability of a manager to organize work for their team in a very efficient way, motivate everybody, and be able to show the added value that the boss brings by working together with the team, with customers and with partners. Another way of defining leadership is the ability of someone to motivate a team to accomplish more than that team otherwise could achieve.

Everyone has a profound lesson in their career, good or bad, that helped guide them in making better decisions. Is there one that stands out in your mind that you could share with me, and how has that lesson served you?

Some years ago I was asked to take responsibility for a very large contract that was having a lot of difficulties. The objective, course, was to fix all of the problems and successfully execute the program. The lesson I learned from that experience has stayed with me—you can achieve a lot by communicating the right way, to your customer and to your team. It was a matter of creating transparency and trust internally and externally. I learned that the best thing to do is to talk to your customer about program difficulties and explain the remedial actions you plan to implement. The lesson has been a very useful to me over the years.

How do you approach the challenge of delivering the optimum customer experience?

The process needs to start very early, when you are preparing your contract proposal. You need to understand exactly what's important to the customer, and also what you are capable of delivering. You also need to have a clear understanding of the risks involved and how to mitigate them. At Thales, we are careful not to over-promise and under-deliver. Long-term relationships are very important to us. We are not going to try to win a new contract at any cost, such as promising things that we cannot deliver.



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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