



**AVIATION WEEK Executive Summit II  
Industry Transformation and Performance**

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Productivity, innovation, and strategic business models for the future were the three primary areas of concern for the 2010 AVIATION WEEK Executive Summit II, held June 6-8 in Annapolis, Md. Sponsored by Siemens PLM Software, the Executive Summit was hosted by Roger Krone, President of Boeing Network and Space Systems, and Tony Velocci, Editor in Chief of *Aviation Week & Space Technology*.

Approximately 75 industry leaders and academic subject matter experts attended the summit, the second annual event designed to bring together individuals with shared interest in defining a strategic future based on achieving performance excellence while retaining and growing the industry's grasp of innovation and technological leadership.

Krone provided an overview of the current status of the industry from a capability and positioning in the current economic and market climate. (insert info from final two slides).

Marion Blakey, CEO of Aerospace Industries Association, continued the baselining of the industry in terms of key political and regulatory concerns spanning across all sectors of the industry.

In addition to Krone and Blakey, keynote presentations were made by Steve Sliwa of Insitu, Jacques Gansler of University of Maryland and former Under Secretary of Defense AT&L. Four teams provided presentations on elements of changing business models for the future of the industry. These included Thomas Zurbuchen of the Center for Entrepreneurial Leadership, and Don Winter, former Secretary of the Navy and a faculty member, both of University of Michigan, who focused on entrepreneurial models; Aaron Shenhar of Rutgers University who focused on a four-tiered framework to drive capabilities and achieve agility in adapting; Michael Langman, founder of Wharton Aerospace and Rahul Kapoor of The Wharton School, focusing on responding to market and economic situations; and a team of three consultants providing key advice to industry as a client – John Dowdy of McKinsey, Tom Captain of Deloitte and Tim Nichols of Siemens PLM Software.

The summit attendees were also provided by Nan Mattai of Rockwell Collins and Ray Johnson of Lockheed Martin with an overview of Innovation research conducted as a result of the 2009 Executive Summit, as well as the initial findings of the 2010 Young Professionals/University Student Research, also initiated as a result of the 2009 event.

Key outcomes from these presentations found:

- The A&D industry in contrast with other industries is relatively stable despite the economic downturn.
- Key customers for the industry – governments – are scaling back spending; this will drive further contraction as well as cuts in investment to science, research and development.
- Demand for commercial products is showing upward trends.
- Retirements across the industry have been held in check by the economy. While this has provided a reprieve to the loss of expertise, it also has inhibited college campus hiring overall.
- Innovation capacity across the industry was found to be stable and “not in crisis”; however, it is critical for organizations to identify their own measures of innovation capacity and communicate this effectively with the investment community. (There is no singular credible index of innovation; rather, the research project indicates organizations need to focus on predictive/forecast of impact of innovation based on historical record e.g. project-to-market success rate, etc.)
- From a workforce stance, current research indicates workers now (and probably always) need multiple challenges to remain interested and there is an emerging prioritization of location as a key career consideration with accompanying desire to minimize relocation for career purposes.

In looking to the future, the Summit attendees also identified issues and actions to continue the effort moving forward to AVIATION WEEK Executive Summit III, tentatively scheduled for May 2011 in Chicago.

**Key issues/actions identified during roundtable**

- I. Perception that we lack leaders with strategic vision and instead are focused on tactical management. Strategic leadership was defined as encompassing:
  - a. Solid IR&D roadmaps
  - b. Dynamic workforce plan/strategy
  - c. Enterprise-wide strategy vs program centric strategy
  - d. Recognition that capacity to change/adapt is core competency as is the ability to measure this competency to gain improvement
  - e. Processes and professionals capable of establishing unique alliances, collaborations (e.g. independently operating subsidiaries, etc.)
  - f. Ability to leverage to full capacity all resources across the value/supply chain (achieving integration)
  - g. Improve productivity by addressing over-specialization across industry and even within a single organization – identify opportunities for standardization that will drive out cost and enable investment in unique discriminators
- II. Research project recommended: Evaluate return on IR&D tax credit in terms of
  - a. Jobs created
  - b. Resulting technologies
  - c. Economic impact
  - d. Impact in terms of security/defense, mobility, etc.
- III. Significant disconnect continues to exist between government policies a. and procedures and ability of industry to grow, create jobs
  - a. Regulatory/legislative oversight in some areas is too cumbersome or non-enforceable in other areas
  - b. Need to identify and seek correction for those areas that stymie the ability to adapt/change to quickly shifting market or political environment
  - c. Need to identify and seek correction for those areas that limit rapid response to security/defense needs
  - d. Need to identify and seek correction to those areas that limit ability to form unique alliances and collaborations that allow response to complexity, emerging markets or innovation needs

Note: Changes under consideration now to ITAR/Export licensing are viewed quite differently depending on the perspective; some in government believe the industry is too willing to accept unreasonable risk internationally for short-term financial goals.

- III. Despite repeated mentions of a call for National Aerospace Policy or strategy the group did not agree on this point.
- IV. Despite extensive discussion about “adjacencies as opportunities,” there was consensus that the core strengths of the A&D industry represent broad opportunity.

- a. Core strengths defined as addressing society's key problems surrounding mobility, security, safety, exploration, sustainability
  - b. Industry must master complexity through appropriate disruptive leadership, processes, tools, technologies and alliances
  - c. It was noted that the industry does have government contracting as a key competency that could provide opportunity in other areas of national security.
- V. The group, as in 2009, desires to form an industry-wide structured research effort, outside government funding, for innovation (similar to semi conductor industry or current Canadian focus on composites technology)
- a. Aeronautics seen as a core capability that must be preserved
  - b. Systems of systems a core capability to create additional efficiency, safety, ease of mobility/exploration.
  - c. Additional efforts required to define and improve systems engineering capability

For access to presentations from the Summit, please go  
<http://www.aviationweek.com/ExecutiveRoundtable/execsummit10.htm>

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