

Background for charts on Transformation

Business Environment

After the non-merger with Lockheed Martin in 1998, the leadership of the aerospace components of Northrop Grumman faced considerable challenges going forward. The financial realities tied to the decline in DOD spending and the end of B-2 production would require major cost cutting to remain competitive, yet the operating structures resulting from the acquisitions of Grumman and Vought would make this difficult since their legacy companies operated mainly as separate businesses. In addition to the obstacles to achieving operational efficiencies, this structure would also inhibit the fusion of the technical competencies each legacy company possessed which would be a business imperative for the emerging DOD requirements.

Leadership Response

The team developed and implemented a strategy to take four previous stand alone businesses, the Northrop Military Aircraft Division (MAD); the Northrop B-2 Division; the Commercial Aircraft Division (CAD); and the Electronic Systems Integration Division (ESID); and transform them into a fully integrated operational structure to be named Integrated Systems (IS). IS was comprised of four business areas, Air Combat Systems (ACS); Airborne Ground Surveillance and Battle Management (AGS&BM); Airborne Early Warning and Electronic Warfare (AEW&EW); and Aerostructures which was later divested. The business areas were to have organic engineering and manufacturing capabilities but would employ sector wide shared services for human resources, procurement, information technology, business management, legal, facilities, health and safety and similar service functions to consistency and economy of scale across the enterprise.

Former disparate business systems were transitioned to common systems for Finance and Human Resources. These common business systems are what facilitated and enabled the realization of savings that shared services provided. Lean Manufacturing principles were adopted and instituted across all the businesses as well.

Leading Change

The strategy, while largely influenced by the financial imperative, was not a “shrink to greatness” strategy. People still needed a vision for the future. “Perform, Position and Grow” was established. Ryan Aeronautical was acquired, and a decision was made to invest in Pegasus. The “front end” was re-built, and the deep cost cutting reflected in the metrics ultimately provided the financial strength for more discretionary R&D investment. This investment positioned the sector for dramatic growth while diversifying into new customers and domains with its product portfolio. Through the downturn, major focus was placed on strengthening leadership, program management processes, supplier management, and other “bread and butter” staples of the business which ultimately would be critical to the business “turn around”.