

Core strength

Building on a strong portfolio of defense programs, Integrated Defense Systems **sets sights** on new markets and opportunities

Dennis Muilenburg, president and chief executive of Boeing Integrated Defense Systems, spoke with *Frontiers* about his vision for IDS, the challenges and opportunities ahead, and his “people first” leadership style.

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This is a challenging time for the defense business. How is Boeing doing in light of defense spending cutbacks in the United States?

The defense slowdown is not a surprise to us. We’ve anticipated it for some time. That’s why we’ve taken aggressive steps to increase productivity and reduce costs. We also believe U.S. defense budgets will be relatively flat for the next few years. So, to continue to grow and produce results for our stakeholders, IDS is repositioning into new markets, expanding internationally, and moving into adjacencies. We have strong core businesses and products such as C-17, F/A-18, integrated logistics, missile defense, networks, P-8 and rotorcraft. There’s also space programs, training, VC-25 and Wideband Global SATCOM, all of which benefit our customers and warfighters now and in the future. We’re also expanding into adjacencies like C4ISR [Command, Control, Communications, Computers, Intelligence,

Surveillance and Reconnaissance], cybersecurity, intelligence, energy solutions, unmanned systems, and a broad array of services like logistics command and control.

Where do you see IDS 10 years out?

A key growth driver will be international business. Ten years out we’re going to have a much broader international portfolio. We have great opportunities in places like Brazil, Denmark, India and United Arab Emirates. In regions where we’ve been successful—such as Australia, the United Kingdom and Saudi Arabia—we’ll leverage our in-country presence. There are international opportunities for fighters, rotorcraft, network systems, Airborne Early Warning and Control aircraft, training, performance-based logistics and the C-17. Five to 10 years out, we will also have a significant presence in the unmanned, intelligence, cybersecurity, C4ISR, energy and government services markets. Overall, it is our objective to be the best in the combined markets we serve.



“We’re all **very focused on flawless execution** of the business and **satisfying our customers**. We all want to **reduce costs and increase productivity**. We want to **grow into new markets**. All of those objectives are enabled by a **people-first strategy**.”

Potential Pentagon cutbacks on the C-17 and F/A-18 have been in the news lately. What are we doing to protect these core programs?

We’re not conceding either program. We have strong support from our local labor leaders and elected officials. Boeing and its supplier partners have been making a good case for continued support on Capitol Hill, with success. In August, U.S. Sen. Kit Bond and 17 other lawmakers called for the funding of 12 additional C-17s in the 2010 defense appropriations bill, with the full Senate approving 10 in early October. In June, President Obama signed the 2009 Supplemental Defense Spending bill, which includes funding for an additional eight C-17s. I also want to thank the thousands of employees who used the c17foramerica.com Web site to ask Congress for support. They really made a difference. The C-17 provides great support for our troops and we’ll continue to work toward protecting this core business, including marketing it internationally. The C-17 continues to play a critical role in providing humanitarian and disaster relief wherever needed, as several C-17s did in American Samoa and Indonesia in September.

For the F/A-18 Super Hornet, we’ll increasingly focus on international sales of the aircraft in countries like Brazil, Denmark and India. The Super Hornet is the Navy’s front-line strike fighter today, providing crucial capability for our troops in Afghanistan. Nearly half of all tactical aviation sorties in Afghanistan are flown by a Hornet or Super Hornet from the deck of

an aircraft carrier. Congress understands the capability the Super Hornet delivers and that the U.S. continues to face a shortage of these key combat aircraft. Language in the 2010 National Defense Authorization Bill increases fiscal year 2010 F/A-18E/F and EA-18G procurement from 31 to 40 aircraft. It also includes authorization for the U.S. Navy to enter into a new multiyear procurement (MYP). A new MYP would produce significant savings and ensure U.S. servicemen and -women in the future have the proven combat capability the Super Hornet delivers.

What’s the latest on the KC-X tanker competition?

Our KC-7A7 proposal team—made up of top-flight talent from both IDS and Commercial Airplanes and across all functions—has reviewed details of the draft Request for Proposal (RFP). We’ve submitted questions for clarification to the U.S. Air Force in advance of the final RFP and we’re now determining the details of our offering to meet our customer’s requirements. I’m confident that we will offer a combat-ready tanker with maximum capability at lowest cost, and prevail. Boeing has been meeting the Air Force’s aerial refueling needs for decades, and I know that together we can win this “franchise” program and ensure we’re building and supporting an American tanker fleet for decades to come.

What’s Boeing’s future in unmanned airborne systems (UAS)?

Unmanned aircraft systems like ScanEagle and innovative business models



■ KC-7A7 TANKER

such as ISR Services are helping Boeing expand in one of the fastest-growing markets in aerospace. We've created a new Unmanned Airborne Systems Division to lead our pursuit of this emerging market, which is wide open with no company yet occupying a dominant position. We're moving aggressively toward establishing Boeing as a major player. This includes investments in High Altitude Long Endurance, the A-160 and other new capabilities. It is our intent to be No. 1 in the UAS market in the long term.

What's Boeing's role in energy?

Earlier this year, we launched IDS Energy Solutions to focus growth into the energy market, including pursuits such as Smart Grid, [a plan to modernize the U.S. electric grid]. The Obama administration has identified Smart Grid as an urgent national priority requiring all levels of government as well as industry to cooperate. Boeing has already identified energy assurance and Smart Grid as logical business adjacencies we should pursue in our expanding services business. We're looking at how we can improve the national power infrastructure by bringing intelligence and security to the grid. We're also looking for ways to apply networking technology we've developed and apply it to the energy side of the business. In addition to three proposals recently submitted to the U.S. Energy Department, we've embedded Smart Grid technologies into facilities at multiple Boeing sites to reduce energy consumption and costs. We are also offering capabilities to reduce energy

and fuel-consumption costs for several government customers, and leveraging targeted renewable energy technologies such as biofuels.

You led the \$8 billion Global Services & Support business since early 2008. How important is GS&S to Boeing's growth?

GS&S is a high-growth business for Boeing, providing global after-delivery support for military platforms and systems and a broad array of government services. GS&S has generated year-to-date sales growth of about 15 to 20 percent compared with this time last year. It continues to be one of the real growth engines in IDS.

You also led Future Combat Systems. What are your thoughts on the change in direction for that program, now called Brigade Combat Team Modernization?

With the Defense Department's budget constraints, the resources were no longer there to carry out the original plan. The decision to terminate the Manned Ground Vehicle component of the program was disappointing. However, the commitment to accelerate and expand the network and other systems to all Army Brigade Combat Teams is encouraging and reflects our customer's confidence in the technological maturity of capabilities already developed, as well as the progress the team has made to date. Notwithstanding the change in direction, Boeing will continue to have a significant role as the U.S. Army transitions to its Brigade Combat Team Modernization strategy.

What best describes your leadership style?

Two words: people first. We're all very focused on flawless execution of the business and satisfying our customers. We all want to reduce costs and increase productivity. We want to grow into new markets. All of those objectives are enabled by a people-first strategy. When we invest in our people, recognize employees and help them develop, create an environment where everyone has a voice and a stake in the business, and give our people challenging assignments, they are motivated and empowered to give back to the business. This is more than a strategy to me. I really believe that investment in people is paramount—in life and in business. ■

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