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Announcer: Welcome to HII Talking Points, a Huntington Ingalls Industries podcast. Twice a quarter, we'll sit down with HII leaders to discuss topics of interest about company and industry.

Phoebe Richards: I'm Phoebe Richards and this is the first episode in our special mini-series about Enterprise Transformation at HII. HII President and CEO Mike Petters has said, "We will not remain successful by being complacent. This is where transformation comes in. It's about changing the way HII does business as an enterprise and as individual employees." To learn more about what transformation is and what it means for the company, this HII Talking Points mini-series will let you hear from corporate and division leaders on the subject. Today I'm talking with Scott Stabler, HII's executive vice president and chief transformation officer. Scott, thank you for joining. It's great to have you today.

Scott Stabler: I'm happy to be here.

Phoebe Richards: So HII employees are hearing more and more about transformation, so we'd like to explore what that means for them and for the company. We're excited to hear some of your thoughts on the subject today.

Scott Stabler: Okay.

Phoebe Richards: So let's get started. First off, you were named HII's chief transformation officer in February. How do you think it's going so far and what goals do you plan to accomplish in your first year?

Scott Stabler: I'm really happy with the way that it's been going. It was somewhat of an undefined role at the beginning. We were born, to some extent, out of work that the company leadership had done to look ahead at the future – 2020, 2030, 2040. The shark tanks that many of the company leaders participated in looked at ways that the company might be disrupted, and the chief transformation office, the enterprise transformation office is really a byproduct of what are the things that we should be looking at that could either be a way that we are inadvertently disrupted by others outside the company or, more ideally, look at ways that we might disrupt ourselves towards better business outcomes.

So we have pushed off on that front. We have a couple of broad tracks. I might label them as one on enterprise material and another that kind of is a portfolio of ideas that are digital and systems-oriented in nature. But we've made good progress on both of those things as we've gone forward.

I think as far as first year goals, I haven't had as explicit a 12-month plan, but I would like to achieve would be an awareness of the effort that we have, a recognition that there is an obligation for every employee to actively be thinking about the future. And we have some very specific, tangible savings goals, particularly with regard to material but some with regard to digital systems, that we would like to achieve within this first 8 to 12 months. We've been through some initial waves of sprint teams on material. We're trying to drag those savings over the finish line, but there's great potential, I believe, for additional savings as well.

Phoebe Richards: So what do you feel are the keys to transformation for HII?

Scott Stabler: I think, number one, everybody inside the business has a day job, and part of the challenge with transformation is that it forces you – or ideally forces you – to look up and out and beyond your day job, whether that day job is getting the next milestone on a ship construction contract or winning the next bit of business from a technical solutions perspective or thinking about what the customer needs – you know, how are the customer's needs evolving over time. So part of what we try and do is work with the divisions to look beyond the tactical goals of the day and look out ahead at what are the strategies, what are the tactics, what are the technologies that we should be working on to be prepared for the future five, ten years down the road.

Phoebe Richards: So you mentioned working with the divisions, and I know one of your key messages is collaboration. So what are some examples of HII's divisions working together on transformation?

Scott Stabler: Well, I'll just touch on collaboration broadly. When we set up the business, really the corporate governance structure that we're in now, we convey goals, we talk about strategies, and it's easy to see why divisions get focused on executing divisional goals. Part of what we have tried to champion inside the transformation space is really taking advantage of being HII. What are the benefits, the opportunities, the leverage, the marketplace horsepower that comes along with being a \$7 billion business? How do you take the horsepower associated with all of that demand to the marketplace in a common way? How do you share lessons across the enterprise more routinely? How do you get people doing like jobs to know one another, to work together with one another, to the benefit of the organization. That's why collaboration has been a constant theme for us.

As far as examples to date of where collaboration has taken place, the material arena is the deepest pocket of what we've done to date from the standpoint of work that folks have been together on. The first four sprint teams that we put together with material focus all had cross-divisional, cross-functional membership. And by doing that, folks could come together and they could share supplier information. They could share pricing information. They could share quality data. They could talk about the way that design thinks about selecting material types or what they've done from the standpoint of improving their fortunes with regard to supplier cost, quality, and schedule over time.

And we found real benefit from just having the conversation. We feel good about the results that we've seen so far. We feel good about the projections that we made about the long-term benefit if we drive all of these initiatives to closure. Now we're in the midst of the hard work associated with saying how do you take and monetize that good idea that these teams have put on the table for us.

Phoebe Richards: So you've told employees to lean in. What can individuals do to support HII's transformation?

Scott Stabler: Well, if they're not directly involved in the team, we're certainly all ears when it comes to what are the good ideas that you think we should be going after. There are obviously suggestion programs within each of the divisions. Our interest would be in what are the tools, the technologies, the approaches that you can think about that would benefit us from an enterprise perspective. What are the things that we're not looking at today that we might, to greater enterprise benefit?

We don't want to subjugate efforts inside individual divisions. Obviously, there was a lot of innovation, a lot of transformation ongoing within each of the divisions before the enterprise transformation office was stood up, and we're not going to get in the way of any of that. That's all good stuff. It all needs to keep going. But where there are opportunities, particularly from a collaborative perspective, from a buying power perspective, from something that we can do across the enterprise, that's where my interests lie.

And then you kind of got Technical Solutions that has been, to their credit, very much involved in this process, although a lot of the stuff that we have been focused on has either been material or shipyards. Material represents between 20 and 40 percent of a shipbuilding contract's value, so that's the basis for why material is important. And, oh, by the way, shipyards represent a lot of the revenue of the business.

That's not to say that the Technical Solutions folks haven't been great participants in the process, great advocates for what we're trying to do inside the transformation lane. They've been team members. They've been thought providers. They've been very helpful. And as we get into more of the digital portfolio and get into things like data analytics and data science, then I see them taking even a greater role as we go forward.

Phoebe Richards: What have you learned in this position that you didn't know before?

Scott Stabler: It's a long list.

Phoebe Richards: That's a good thing.

Scott Stabler: Yeah. No, I think the principal lesson – and this is six months in – is just the importance of pace, of speed. The material sprints that we've done – facilitated by BCG, our consultant – provide a structure but also provide a real incentive for "let's get to a solution set quicker" – let's provide structure, but let's force the beast to move forward at a faster pace.

The other thing that I've learned is that perhaps we've been limited by what we believe about the business and maybe this is just a self-inflicted wound. That I have come to think of our business over time as a place where, you know, we're in a box from a business model perspective, we're in a box from a customer relations perspective, we're in a box from a funding perspective, and part of the reality is we may not be.

I've also learned that people do get excited about the opportunity to participate in these projects, and maybe I've re-learned that. Some of the most fun jobs I've had in my career have been project oriented or capture programs or construction programs where you kind of come together, you build a team, you have a common goal, and it is fun. And transformation can be fun, too. So, hopefully that encourages folks to want to understand what we're doing or participate or give us an idea. Those are all avenues.

There are lots of things that we read about that we are – I just want to communicate folks we are actively thinking about what transformation could be. There's a lot of technologies out there. Every time I watch TV I feel like I see three commercials for artificial intelligence or new technologies that revolutionize the way we think about it. There are marvelous capabilities out there. There's computing power that will enable lots of really cool things, and there is work ongoing within our enterprise today to take full advantage of that capability.

I feel really good about the work that's ongoing. I feel a positive sense of anxiety with regard to making sure we take full advantage of the art of the possible. But it can't be just me. It's got to be everybody in the organization actively thinking about that, raising your hand. What could make your job better? What can make you more effective? What can we do for our customer?

One of the things that I know Mike [Petters] has talked about and a lot of business thinking today is written about: actively anticipating customer needs. And I think at the end of the day that's really the place where we need to be. What are we doing today to fully anticipate where the customer's going to be 5, 10, 15 years down? There are all kinds should we be working on, or that maybe even the customer doesn't know to ask for it today. So that's kind of a different perspective.

Phoebe Richards: Nice. Well, it sounds like an exciting initiative that we can all get involved in.

Scott Stabler: I hope so.

Phoebe Richards: Well, Scott, thank you for joining me today and participating in our podcast. And to our listeners: stay tuned for more episodes in our mini-series on transformation. You'll get to hear HII's three division presidents: Jennifer Boykin, Brian Cuccias, and Andy Green. So thank you for listening.

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