An Innovation Enterprise

Heidi Wood

**An Interview with Heidi Wood,
Senior Vice President, Corporate Strategy & Technology, L3 Technologies**

EDITORS' NOTE *Heidi Wood was appointed to her current post in 2016. She joins L3 from Spirit AeroSystems, where she was responsible for strategy, mergers & acquisitions and investor relations. During her three-year tenure, she implemented key shareholder-focused and strategic initiatives. Prior to Spirit AeroSystems, Wood was Managing Director and Global Head of Aerospace and Defense Equity Research at Morgan Stanley, where she built a widely recognized research franchise and was ranked by* Institutional Investor *as a leading analyst for 12 consecutive years.*

COMPANY BRIEF *Headquartered in New York City, L3 (l3t.com) employs approximately 31,000 people worldwide and is a leading provider of a broad range of communication and electronic systems and products used on military and commercial platforms. L3 is also a prime contractor in aerospace systems.*

When you joined L3 in 2016, what excited you about the opportunity and made you feel it was the right fit?

I found the idea of joining L3 intriguing because I missed defense and there was something special about the company that made it far more interesting than some of the larger defense names. There was something unique at L3 that was unlike anything else that existed in aerospace and defense. This is a company that is the sum of many entrepreneurial divisions and companies that were purchased, many of whom have very strong technical capabilities. I felt that, through good leadership and really focusing on improving an already positive culture, L3 could become something the world has not yet experienced in this sector: a company that brings the agility and entrepreneurial spirit of a small company coupled with the scaled leverage of a large company.

How important is culture for L3?

In my earlier years analyzing companies, where one's job is to correctly anticipate stock prices on Wall Street, the first things I would study were modeling and of course financial metrics like earnings per share and cash flow. I began to notice how frequently these results were correlated with the leadership so I retuned my game and started following and analyzing top leadership closely as a route to predicting stocks. It became even clearer over time that the single most important component to grasp about predicting a company's future is its culture, which matters more than anything because it is a key determinant to reliable, predictable results. Qualitative leads the quant and before even great leaders is great culture. The harder and more elusive thing is building great corporate culture. That can take many successive leaders to build. Culture either gets enhanced by or torn apart by those in leadership. Recognizing this helped me become even more successful at anticipating what would happen next to a company, and thus the stock.

Having witnessed the rise and fall of some 40 companies consolidated over a good 20+ years, I came to L3 with a rock solid conviction in the importance of culture – great culture makes a company an exciting place to be and helps attract and retain the best and brightest talent. Inspired, motivated people produce inspiring results.

Similarly, if a company suffers from a poor culture, subsequently great people leave and, soon enough mediocrity becomes the accepted norm and that spills into the numbers and contributes to a company in decline.

We have to be thoughtful about creating an environment conducive to what we want. Developing and maintaining a strong culture is very difficult to do, which is why a leadership team has to thread through it so thoughtfully. For L3, the heart of that culture is innovation. If we want innovation we have to have innovators and, if we want those, by nature, it means that we need a culture that can embrace disruptors. It's hard to grow in size while concurrently embracing disruptors, but to simultaneously build a company with scale and yet promote people with really cool and bold ideas, that takes some pre-planning. We have to architect a corporate culture that can help groom and sustain them so that innovations can rise into a leading capability or a new technology.

The DNA of L3 is comprised of the capabilities and innovation, and passionately driven by people at the grassroots level who want to do great things.

I was also excited to join L3 because I knew the new CEO would focus on creating the culture and environment that would inspire everyone to dare to reach higher.

How important is brand awareness for L3 and are the capabilities that L3 offers well understood in the market?

It's something we're working on more going forward. L3 is a great company to work for in aerospace and defense that most people haven't heard of. There are individual brands people are aware of but, overall, since we're more attentive to working on a unified brand message, our broader brand identity should change in the future.

Brand absolutely matters. It's an important and concise way of telling people what we're all about and showing them what they can count on. That is part of what comes with making L3 bigger and better.

What have been the keys to L3's success and how do you differentiate the company?

Bureaucracies, by their very nature, make it harder for bold innovation to rise up to the top. L3's culture recognizes the power and importance of the individual and the need to unleash ingenuity that forges an innovative enterprise. But there is room for growth because risk is very tricky. It's hard to incentivize risk taking and very easy to punish for it. There has to be a balance between encouraging people to take risks while minimizing potential negative consequences. The idea is to not punish any missteps so unduly that the willingness to stretch and make bold attempts dries up.

Strategy involves charting the "What" first and then "How" and "Who." In that distillation, "Who" matters enormously because we need the right leadership to help marshal the troops to head in the right direction and encourage people to exhibit the qualities they need to show within the company.

Fostering trust and transparency requires a culture that makes it safe for people to be courageous, open and honest. If we can unleash those qualities, then we will create an agile company as an outcome.

In today's world, we need rapid yet assured decision making. To get to fast decision making, we need to make those decisions both data-driven and with excellent transparency. This allows us to make the right decisions at a velocity level that people from the past would not have anticipated.

Are corporate strategy and technology interrelated?

I'd say they are interconnected. strategy and technology are inextricably related for us as a high-tech company. We're in aerospace & defense, which is a fast-changing, ever-demanding world and our customers and end-users rely on our technologies. People's lives may be at stake and our products need to be so reliable that they never fail.

The implicit message behind having technology under strategy is that technology is hugely important but has to be considered within a business context as well. There has to be a business-based understanding of what the technology and investment brings. Alternatively, one can invent new things that didn't exist previously, but it all needs to be understood in a commercial sense of whether this new capability or product can generate more sales and profits.

The chief benefit of having technology report to strategy is that it sends a message that technology is foundationally important to what we will do strategically. Equally, strategy is considered within the scope of what technology sees ahead, is capable of, and simultaneously makes sure there is a business discipline being applied.

They are, again, inextricably linked and putting Strategy and Technology together sends a positive message to our 31,000 employees. It highlights that technology is imperative to our future but it also says it's not technology for technology's sake.

At the size and scale of L3, is it difficult to maintain an entrepreneurial culture?

We talk about continuous improvement internally in the sense that it's not only a professional but also a personal journey. We all look at ourselves and find ways we can do better. Entrepreneurs are always looking for a better way. We want that to be a key part of our corporate culture.

We want to ignite greater ideas in ourselves and others and collaborate more effectively so we can offer superior weapons systems, and that energy is taking hold and creating more momentum.

How important is it to use technology to speed data collection and support rapid decision making?

I previously came from a world that is all about speed and rapid decision making. I'm used to seeing data or being able to answer questions within seconds or minutes. It was strange to come into the corporate world and realize everyone was content waiting around for concrete data. I was struck by how it was that people weren't plummeting deeply enough into the real-time data and anchoring discussions around data-driven decisions instead of anecdotes.

I worked with my IT team and SAP to fuse the different IT systems into a common system called Project Sumo that now enables our leadership team to see the data surrounding the company within seconds or minutes, like what I was expecting would be the norm. Now we can have a single source of truth and can make more informed discussions.

We won the SAP 2018 innovation award as a result. I didn't think what I was asking for was all that special; I just wanted answers to reasonable questions in minutes as opposed to days or weeks.

If we didn't know it can be different, we didn't know to be dissatisfied. I was crawling the walls at the pace at which answers were coming in. This new system (Sumo) is transforming how L3 behaves and it's pertinent to how we can unleash entrepreneurship.

Through Sumo, we can see the data and see how people are doing and hopefully by doing this with greater visibility we can address issues far more proactively than before. The greater clarity and advanced visibility encourages our leaders and innovators to take risks.

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The ability to proactively "see" into the pipeline and understand the details enables our people to be emboldened. With a more proactive ability to "see" the data we then start to mitigate the downside while better maximizing the upside.

Is this still a people business or has it become a technology company?

It will always be a people business. Technology is an enabler but we cannot confuse innovation with innovators. I want a culture that attracts and rewards innovators. Innovation will follow.

Has change occurred when it comes to women leading in the aerospace industry?

The industry has gotten considerably better since I joined in the 1990s when I was virtually the lone woman.

Change is happening at an incremental pace and not as fast as I would like, but there is a growing recognition that women bring a different *esprit de corps* into an enterprise. People are beginning to realize that different perspectives are key to success in the future.

I often share with some of our younger women rising up the ranks that one might see the visible part of success, but the invisible part

is equally important. I like to joke that I also have so many arrows in my back that I look like a porcupine. However, this is equally true of both men and women, it's not just women who get challenged. Anyone who dares to do something that stands out can't help but threaten some portion of the population, so the arrows naturally come with reaching higher. There is a certain level of obstinacy that one has to acquire if they're going to move up the mountain. One has to throw their head back and have a sense of humor, stay gracious and humble, and embrace the opposition as part of the natural course of success and shrug off the negative. The worst boss I ever had taught me to develop a quality in myself that I'll always thank him for. He taught me to be defiantly joyful.

Humor is crucial. If we don't laugh at ourselves we're losing something important. Criticism is the same as praise – neither is good when taken too seriously. Frankly, I've learned to get excitement and develop positive skills more from the critics. One actually learns more from criticism. So embrace opponents, they'll teach as much as, if not more than, allies.

I tell women to stay ferocious, be driven, be a team player and always focus on being excellent so the results speak for themselves, as well as to stay good-natured.

I also tell everyone – young and old – that it's good to appoint their own personal board of directors in their lives. Think about what they want to strengthen and lessen within themselves and then think about those people in their lives who they admire and who can be examples for them. Study great leaders on an ongoing basis.

How ingrained is corporate responsibility within the culture of L3?

It's important to stay aware that leadership is a privilege. Anyone entrusted with the lives of people has a tremendous responsibility. I'm a big believer in servant leadership: if one surrounds themselves with high performers, empowers and ignites them, they'll achieve far greater results than any one talented person can achieve. It's a little cliché but it works.

One of the best things leaders can do is find talented, motivated people, coach them, train them, and guide them. Find the diamonds in the rough and be part of the equation that polishes them, brings out their best so they shine. The net result is exciting to both the individual and the team and, in turn, great for the company.

Empowering people enhances their work satisfaction, dignifies their capabilities, and recognizes the power of the individual. I'm a big champion of people being empowered at the grassroots level. I think that what makes a company foundationally great is having an ethical heart at the core.

Do you take moments to celebrate the wins?

I'm 100 percent preoccupied with the present and future. That's the fun stuff because that's the unknown. The past is cooked; there are some lessons to be gained but we don't necessarily want them to be too instructive since the future won't be much like the past. I'm fascinated with and absorbed with what's next, what's possible, and figuring out how to take bigger ideas and seeing where they can go. ●