

# Zealot Profile

## Phil Duke

### Lockheed Martin Corporation

Corporate Executive Vice President for Shared Services

**“Lockheed Martin is a \$25 billion corporation that makes airplanes and satellites and many things for the government. We have 132,000 employees. We build the F-22, the F-16, and the Joint Strike Fighter. Those are our poster-child programs. Several years ago, we went through a difficult situation where our products weren’t working as well as they should have been. Our financials suffered, and the stock price went down. As a result, we decided we’d better change the way we do business. Up until this time, we thought that we really were a New Economy company. After all, we had more software engineers than Microsoft and Intel put together. We put men on the moon. We made airplanes. But it turned out we really weren’t one.**

“When the automakers decided, in late 1999, to launch a business-to-business exchange, I figured that this might be something Lockheed Martin could do. I phoned people at Boeing, Raytheon, BAE Systems, and several other companies. They agreed it might be a good idea for the whole aerospace industry to get together and figure out a way to buy and sell things over the Web. Lockheed Martin thought of this exchange as both a defensive and an offensive maneuver.

“We had a big debate inside our executive council: Should Lockheed Martin be like General Electric and other companies that have their own in-house B2B procurement systems, or should we put together an industry vertical, and try to figure out how to do it within our industry? In other words, did we want to be a large part of something small, or did we want to be a small part of something big? Our conclusion was that we wanted to be a small part of something big, because the prospect of being by ourselves against the rest of the industry was a terrible thought.

“I was asking the management team for upward of several hundred million dollars to do something whose ultimate shape was entirely unknown. I couldn’t tell exactly how the web was going to work. I couldn’t tell how we were going to benefit from it. I had facts and figures from consulting companies — and they couldn’t foretell the future, either. It was a scary situation. Yet all of us knew that this was where the world was going. So we kind of did it on guts. We said, ‘We think this is the right way to do it, but let’s put together a plan that has many offramps.’

“Once we decided we had to change things, we also created a group called Shared Services, which does all the company’s administrative work. The group has about 5 to 10 percent of the employees in the corporation. We decided that we would like to substantially improve efficiency and productivity, and do that while providing greater services to our internal customers. We determined we would use Web-based e-commerce solutions to try to solve a lot of our administrative problems. Everybody wants to be part of what’s new and cool, so everybody wants to use the Internet. But it turns out you really use the Internet to check your stocks, and to do e-mail, and who knows what else. You probably don’t use it to monitor your day-in, day-out business and to help you do your job. But that’s what we’re asking our people to do.

“Typically on a software project, as you make your milestones, you have to double the cost, triple the schedule, and halve the projected cost savings. As we went along, we checked to make sure we were achieving goals — every six months we pulled the tree out of the ground, looked at its roots to see if it was growing, put it back into the ground, and let it grow some more. That’s how we’re approaching this, in stages, so we don’t make too many mistakes.

“So far, Lockheed Martin is rapidly driving increased efficiency and productivity by using our combined corporate scale to operate as one \$25 billion corporation rather than 25 \$1 billion corporations. At the same time, we are constantly measuring and monitoring our progress to ensure there is value added for our customers.”

— Interviewed by Reginald Van Lee

