

**NDIA ATLANTA XXIX
EXECUTIVE SEMINAR
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Thank you, General Farrell, and all the members of NDIA. This is the most significant recognition I have ever received, and I accept it with great appreciation. It is a recognition given to me by my industry peers – an industry for which I have the utmost respect for its mission in ensuring the peace -- from a group of true professionals with high standards and a record of success. No group of women or men know me better than you, and to realize that you have singled me out to receive this Leadership Award is most generous and treasured.

You also have made a terrible mistake! Many sitting here today are much more deserving, more successful and accomplished in business. However, given your choice, I can only assume you are great disciples of the axiom that “Strong Leaders Learn From Failure” – that only through failure do you gain wisdom. Or, you agree with James Joyce that “Flaws are Portals to Discovery”. If this supposition is true, I am one of the wisest in the room.

Now, if you are not a believer in the idea that one gains knowledge through mistakes, then too bad you will have to live with this choice -- because a team of horses will not separate me from this award.

Mention must be made of NDIA, General Farrell and General Skibbie. They have guided this association through the troubled 90s, and it has now grown significantly in response to the needs of government and industry. They have done a great job.

It is my fortune that this recognition is presented in the presence of the United States Army! My service in the Army shaped me. The crucible, the formative experience in my life....and, in my case, the material the Army had to work with was very raw. Duty, Honor, Country, provide the standard that I strive to reach day after day, and like all of us, some days not very successfully.

This would be most discouraging except for the fact that even the great leader, Lincoln, gave insight into this dilemma – “When I do good I feel good, and when I do bad I feel bad.”

If it was not enough that the Army provided the opportunity to build character, the privilege to serve on active duty, but then the opportunity to go on to graduate education. Frankly, you can never fully re-pay an institution or Nation for those opportunities, you can only do your utmost in giving back in a dedicated and unselfish manner. I'm always grateful to the Army for the role it has played in my life.

Many of you have had the opportunity over the years to hear Leadership Award recipients speak. To take a little different approach, let me tell you what I will not discuss. First, there will not be a speech on how wonderful my company, United Defense, is even though we all know that is true. However, if you are interested in this subject, it is at www.uniteddefense.com.

Second, there will not be a speech on my leadership "do's" and "don'ts". I've always been uncomfortable pontificating on that subject, and given the recent demise of several so-called great leaders, it would appear that speaking on that topic foreshadows disaster.

Third, there will be no sales pitch on a great new product, and therefore, you should load up on our stock and get rich. That was vogue in the 90s.

Finally, to our Army customers, there will be no recommendations on how you should run your business. Drawing on the observation of General Eisenhower, there are two professions that amateurs always believe they know more about than the professionals – military strategy and prostitution. I will not discuss either of those subjects – my expertise in one is about as good as my expertise in the other.

No, there are two industry issues that are of real concern to me, and I want to share those two issues with you, my peers. One of those issues periodically comes and goes like a plague, but like a plague, it can be devastating and it surely leaves lasting scars. The second is a critical debate that has been part of the fabric of this Nation since its inception, and it must be addressed again now more than ever.

The first is Corporate Ethics. It is so easy to drift into the ethical gray and then the black; to confuse legitimate business innovation with

imaginative fraud schemes. As Warren Buffet would say, “like Hell, it is easy to get in, but impossible to get out”.

If we witness one company or individual who succeeds in a questionable practice, and particularly if that practice improves the bottom-line, the temptation to follow is almost irresistible. When you find you’re spending more time scheming about how to get around a law or regulation, rather than satisfy its intent, you’re in trouble.

Enron, Arthur Andersen, WorldCom, Global Crossing, are the marquee names, but every day it is new revelations. Even the maker of your favorite jeans is being questioned about how it accounts for its money.

The problem is widespread as it touches not only telecom and the energy sector, but also financial institutions, as many investors were dubbed by intentionally misleading investment advice. Many of these investors lost their dreams and as Jim Gipson, the Chairman of Clipper Fund, cruelly concludes, “For some nouveau poor, the only realistic hope of a more prosperous life now lies in reincarnation.”

If the Ethics crisis in business didn't shake up the Nation enough, then other highly respected institutions such as the United Way, the Catholic Church, and most recently, the Air Force Academy all shattered confidence as they now live through their Hell.

But, let us not sit back and say that was the other guy, and it can't happen to me. Look at the leaders involved, the source of their educational training and the background of those who have failed. It touches virtually all the universities, colleges, and organizations that we place on a pedestal. We are not immune.

During my Army days, General Tom Weinstein would remind me, particularly when I was getting too big for my britches – “Tom, you can always buy brains, but you can't buy character”. Character clearly has a lot to do with it.

As a direct result of these developments, the Congress held hearings and Sarbanes-Oxley was rushed through while the Justice Department went into high gear. Corporations also responded. Unfortunately some by shredding documents, but most took a hard look at their Ethics and Governance Programs.

Dan Bunham, Raytheon's Chairman, in a recent speech to the National Association of Corporate Directors, emphasizes the need for oversight, transparency, and diligence – they are all critical to confidence. Further, he says, "When the spotlight of controversy is cast on the Company, the Board of Directors, the CEO, and his or her leadership team must stay true to their values. They must communicate as openly as they can in the context of all laws and regulations. They must speak up for the values they believe in.

Now, the Defense industry has several unique ethical challenges. We deal with the Government and we receive the taxpayers' money; therefore, the False Claims Act is a very important dimension to our industry landscape. We sell arms and military technology to foreign countries. These transactions require incredible attention to detail as spelled out in the ITARS and other regulations. As we have seen in recent months, it is quite easy for even the most experienced exporter to unintentionally be in violation. And, of course, there is the Foreign Corrupt Practices Act. There are more than a few Governments that work through illegal payments. Many of us have lost programs for

refusing to pay a bribe, and that will probably not change.

The Defense industry also has a leg up on other industry sectors – we lived through Ill Wind. Many firms put into practice active Ethics Programs, with hot lines, ethics codes, and Ombudsmen. Many joined the Defense Industry Initiative on Business Ethics and Conduct. It's a meaningful organization, and I strongly recommend it.

As an Industry, we cannot let this Nation down through a lapse in ethical behavior. Just as the Military is one of the most respected institutions, and there are few remaining, we must increase our vigilance. We need to ask the tough questions: How exactly is our foreign representative going to get that order? Did that product really ship by the end of the quarter? What is the basis for that environmental clean-up estimate? How accurate is the labor charging system? Do you have all the data you need to do an estimate at completion? During this time of war, coupled with institutional scandals, we must do all we can to be a bedrock of trust, and I for one, will admit that is not easy. Our industry is complex, demanding, and riddled with pitfalls.

There is now and will probably always be a small, but hard core, group in our Nation that will equate Defense Contracting with unethical behavior. They have the right to believe that if they wish, but we must be ever vigilant and prove them wrong. There is, in my opinion, no greater calling in life than to defend freedom. Let us not blemish the sanctity of that vocation.

In going about our business, unlike any other industry, we come in contact routinely with men and women who can honestly be labeled “brave”. They have in the past and expect in the future, to go into life threatening combat.

We, too, need to be brave. Now for many of us our age, if nothing else, rules out enlistment, but it does not forgive our responsibility to show courage.

Here Harry Truman, a combat veteran of World War I, provides us with great insight on being brave. Upon reflecting on all the challenges of his life he said: “If you are truly brave, you can say no to a real friend when right is on the line”. All of us know how very difficult that is, yet we also know that the first step into a slippery ethical abyss often begins with loyalty

to a friend or loyalty to an organization. Now this is clearly different advice than that offered by Click and Clack on the Saturday morning Car Talk Show on NPR. They offer these thoughts on loyalty: “A friend is a person who will help you move, but a real friend is a person who will help you move a body.”

For those of you in uniform, I’m sure some are thinking, “Why don’t you just do the right thing. What’s the big deal?” And, in fact, General Sullivan, in his book *Hope is Not a Method*, does a masterful job articulating what industry can learn, borrow, adopt from the Military. However, on the subject of ethics, the author Stephen Ambrose captured an important distinction about life inside and outside the Military, and although there is probably some exaggeration in this thought of his, it is probably generally true. In the shelter of the military, character-testing temptation is almost unknown - it is easy to be virtuous when it is rewarded. It is not so easy to be virtuous in an environment when it is ignored.

In Washington, DC, in front of the Federal Trade Commission Building, there is a statute of a powerfully built horse being reined in by an equally powerfully built man. In fact, industry

has been and is being reined in by government in an effort to correct clear violations of the law. This is not the first and will not be the last time. As far back as the post Civil War period business was marked by a get-rich-quick morality and one of the primary factors in the creation of the Harvard Business School was to clean up the unethical practices in business. We are America's defense industry. Let us be leaders in winning back the Nation's confidence in business and capitalist system.

Now, Operation Iraqi Freedom certainly showcased the power of the U.S. military. The discipline, training and tactics of the soldiers, sailors, airmen and women and marines, coupled with the advanced equipment that you provided was an awesome display of power. Few have questioned the wisdom or legality of developing precision munitions, second-generation flir, advanced digital communications, UAVs and other advanced weapons that are key to military success. However, in this war against terrorism there are activities, particularly in information gathering, surveillance and intelligence where this industry is extensively engaged and it is very controversial. This leads to my second issue.

It runs along a well-recognized fault line – when does security infringe upon privacy or conversely when does the exercise of certain personal freedoms harm the security of the nation. This issue is as old as our Nation. Ben Franklin spoke of it: “They that can give up essential liberty to obtain a little temporary safety deserve neither liberty nor safety.” Now the Senate FY03 Appropriations Bill, in addressing DARPA’s Total Information Awareness Program, requires significant reporting on information gathering.

During a recent symposium sponsored by the Potomac Institute Richard Perle, a member of the Defense Policy Board, addressed the issue of civil liberties versus actions that must be taken to root out terrorism. The discussion centered on tracking an individual’s behavior patterns through Data Mining. This technique is a powerful tool for potentially uncovering enemy plots before they become reality, a technique that very well may be crucial to the long-term security of our Nation.

At the same time, the idea that the government is collecting such intricate and detailed information on possibly innocent individuals prompts civil libertarians to scream

foul. This seemingly inherent conflict between individual rights and the war on terrorism must be addressed in a thoughtful, constructive manner. However, it is not necessarily an issue of compromise. If as a Nation we compromise our rights in the name of defense, the terrorists have won.

Dr. King taught us: “Injustice anywhere is a threat to justice everywhere.” By the same token, if the government eliminates or scales back the use of certain products, approaches or systems that focus on the prevention of terrorist acts as the result of concerns for civil liberties, the Nation may be left vulnerable to acts of horrendous consequences – the terrorists win again. Unfortunately, often the debate polarizes between those who adamantly argue the case for civil liberties and those who in the name of security will take draconian measures to pursue terrorists. If society fails to properly address this issue, there will be significant consequences. The entire country can be swept up in hysteria on either side of the argument. The internment and incarceration of the Japanese in World War II was justified in the name of national security, while the harmful dismantling of several key intelligence activities

in the 1980s was in response to concerns for civil liberties.

And, today the stakes are even higher. The ability to collect intelligence and abuse personal rights, is far more possible than in the past, while at the same time those intent on harming the U. S. on its own soil probably have access to weapons of mass destruction and for that reason alone must be stopped.

With respect to this issue the Defense Industry is often a minor player in the debate, but a major player in providing the technology, tools and techniques to fight terrorism. We are normally viewed as concerned only with security. This is frankly unfortunate and unfair to stereotype our industry leadership in such a manner. In fact, I believe the technologies and capabilities of this industry are a crucial element in the final formula that will preserve our freedoms while defending our lands. Just as it is explained repeatedly that precision munitions are employed not only to destroy the enemy, but also minimize collateral damage and protect civilian populations. Industry, with government, must articulate the procedures that have been and will be developed to protect privacy and other civil liberties in the war against terrorism.

If we fail to do this, I fear our industry will be painted as merely providing tools that attack individual freedoms and of equal concern, important technology advances that target terrorism may not be employed because the civil liberty concerns were not adequately addressed or explained.

So, Defense industry leaders must engage in the debate. There must be the development of policies and processes that guarantee the appropriate use of information while fighting terrorism. Practical options for both the aggressive pursuit of terrorists and protection of civil liberties must be developed.

General Sullivan often says, success in any endeavors, corporate ethics, the war on terror, ensuring personal liberties, is not pre-ordained. Leadership counts and responsible leadership is more than just enthusiasm and good intentions. Brandeis writes the greatest dangers to liberty lurk in insidious encroachment by men of zeal, well-meaning but without understanding. After a decade that some labeled a modernization pause that generated a peace dividend, our industry once again has been called upon to step forward and address significant security threats. The Nation depends on us to understand not only the

enemy, but also the associated issues. It looks to us to provide the technologies that will keep it both safe, free and within an ethical framework.

Once again, I greatly appreciate this recognition and am very proud to be a member of the Defense Industry.