



Opinion: Can Aerospace Avoid U.S. Automakers' Mistakes?

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At the end of 2014, the CEO of naval shipbuilder Huntington Ingalls Industries, Mike Petters, delivered an address at the Atlantic Council entitled, “Playing the Long Game.” In it, he made the case for the chief executive’s leadership antidote to what he called “the institutionalization of the short-term.”

Petters said: “No. 1, you have to think that you’re the longest person—you have the longest horizon—in the room and that you’re gonna have a view that is about creating value in your organization that is longer and farther out than anyone else. No. 2, you have to decide what things you really believe in.”

These remarks came to mind again recently while I was reading *Crash Course: The American Automobile Industry’s Road from Glory to Disaster* by Paul Ingrassia. *Crash Course* chronicles the now familiar story of how General Motors, Chrysler and Ford—which in 1970 stood at the very pinnacle of that global industry—dissolved over the course of about one career’s duration into bankruptcy and restructuring at the outset of the Great Recession. Summarizing this story, Ingrassia writes, “The 1970s was the decade that undid Detroit. During the 1980s and 1990s, the Big Three would mount periodic, and sometimes spectacular, comebacks and undergo equally dramatic crises. But never again would Detroit rule the automobile industry unchallenged and unbowed.”



What’s most striking about *Crash Course* is not the depth or character of external shocks the Big Three suffered. No “black swans” figure in this tale. Indeed, all of what came to undermine the health of the U.S. auto industry—

unsustainable labor agreements, convoluted regulation of fuel economy and foreign competition—were known challenges with predictable effects.

Instead, what's striking about Ingrassia's reporting is the frequency with which the executive leadership of these companies responded to known existential challenges with short-term, expedient solutions that sowed catastrophic long-term effects. Discussing the lessons learned by the U.S. auto industry's 40-year decline, Ingrassia writes, "The most fundamental is that problems denied and solutions delayed will result in a painful reckoning. And the longer the denial and delay, the more costly the reckoning." Or in Mike Petters's words, never institutionalize the short-term at the expense of the long game.

It might be said that 2014 marked the year in which the aerospace and defense industry was at the top of its game. According to a recent report by PwC, "The aerospace and defense industry reported lower revenues and sharply lower profit in 2015 compared with 2014, ending a run of five consecutive years of record revenue and operating profit."

Assuming we have crossed a cyclical peak, what are the existential challenges for which our industry's executive leaders will be called upon to find a long-game approach? Analogs to the sources of Detroit's demise may be instructive.

The existential challenge of labor to auto companies was its aggregated cost, which expanded in scope and escalated at rates that ruined the industry's productivity and profitability. For today's A&D industry, the labor challenge concerns the specter of a brain drain, which threatens to foreclose from our companies the scientific and engineering talent needed to advance 21st-century innovations. What is the long-game approach to attracting and retaining talent at great aerospace and defense companies?

In the auto industry, the existential challenge of regulation concerned fuel efficiency. In A&D, like so many other industries, the central regulatory challenge of the next 40 years is most likely to concern emissions of carbon dioxide. What is A&D's long-game response to global warming?



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Finally, new competitors entering the market with products that appealed to the changing tastes and preferences of U.S. car buyers proved an existential threat to the Big Three. Entrants also will confront incumbent A&D companies over the next generation, but the challenges they pose will tend to concern business-model innovations rather than simply product performance and price. What are A&D executives' long-game plans to change the sclerotic style of incumbents' business practices?

The career trajectory of a young engineer arriving in Detroit in 1970 would have been marked by a series of dramatic crises and spectacular comebacks, culminating upon his retirement in the complete undoing of the industry to which he had committed his professional life. Now is the time for leaders of the aerospace and

defense industry to think long and hard about the next 40 years and consider the kind of reckoning their choices will sow for today's young engineers upon their retirement at mid-century.

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