Conversation on Innovation from within the Defense Industrial Base

Moderator:

Rachel Hoff, Political Director, Ronald Reagan Institute

Speaker:

Toni Townes-Whitley, CEO, SAIC

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Rachel Hoff:
Well thank you so much, and I'm so delighted today that Toni Townes-Whitley has joined us for a discussion that I think she's uniquely suited for at this event. Toni Townes-Whitley, as you all know, serves as CEO of SAIC, and so in terms of where she sits now, working for a company that has for so long been such a major player in the defense space, has been a private sector partner to DOD -- But also because of where she's been. Many of you would've known her from her role at Microsoft where she served as President previously for US Regulated Industries. You've worked at a major defense company -or you currently lead a major defense company, you've worked at a major tech company. You've driven so much innovation and entrepreneurship on both sides of that coin. Thank you for joining us today.

Toni Townes-Whitley:
Thank you. Thank you so much for being here. This is a great setup by the way -- my first time, I know last year was the inaugural -- but there's something in a name here, and I think you've caught something here on this sort of National Security Innovation --

Rachel Hoff:
Oh, I thought you meant Ronald Reagan.

Toni Townes-Whitley:
That too. Clearly we knew that name. We knew that name, but what we're talking about now is almost this sort of 2.0 of the DIB. We keep talking about the DIB, I think in anachronistic terms, often, of the defense industrial base. This to me is maybe the turn of the corner on the expansion of that base, the renaming, maybe leveraging that base as more of a portfolio to address some of the issues. And we'll get into that. But I really have
appreciated this event, and that's -- not to be solicitous here, but I really do think this is about the proximity and the right mix of individuals that can actually lean in.

Rachel Hoff:
Well, thank you. With that compliment, all the questions will now be softballs.

Toni Townes-Whitley:
That's right, and that was my intent. I think we've arrived then.

Rachel Hoff:
No, that's squarely what we tried to achieve with the event. We didn't make up the term National Security Innovation Base, that comes from the National Security Strategy. We've worked with Nadia Schadlow and so many others who really drove that strategy and incorporated that term, which we've adopted, as so many of you have, to really understand this ecosystem. And as we think about innovation and as we've talked about it here on stage today, a lot of people are going to think in terms of companies, those smaller tech startups, dual use commercial sector companies with defense relevance. And they're important players in this ecosystem, we've had many on stage today, but there's also innovation happening, as you know, from not only the technology community in that sense, but from the defense industrial base. How do you think about innovation from where you sit and where you've sat?

Toni Townes-Whitley:
Yeah, it's been interesting. I'm six months in the role, and because of where I came from, a lot of impressions of what's going to happen to SAIC -- somehow we're becoming a hyperscaler overnight or something because I came out of Microsoft. But I will tell you, it's been interesting to watch and to understand how innovation is talked about, particularly from the various vantage points. I still believe we're still a bit narrow in our definition. When I think about innovation, we have an audience that speaks to what's being built and the new capabilities that can change the scenario, change the environment. I think there's a set of individuals that focus on business model innovation and how things are delivered, how they're integrated, what DevSecOps looks like, how we integrate on the ground, real-time mission. And then I think there's, I would say even to attract some of the talent, as I spend some time at universities and I get to be a visiting professor -- Arun lets me visit the folks from Stanford, not often because of what I say -- but from time to time I get to go back to my own alma mater and talk to some fairly cranky computer scientist at Princeton.
What I'm finding is this idea of applied innovation is what they're thinking about, the idea of going from build innovation to applied innovation. And what the public sector requires, and what they're trying to almost get over the transom, is how do I take my build innovation passion and get into an applied innovation environment? And that I think can attract even new players, if you will, and new talent from some of these universities. So the way we talk about innovation, I think we have to broaden a bit our aperture of what we're saying, and be clear what types of innovation we're talking about. And I think we also have to attack a couple -- some folklore that's been built up over years. We talk about, it was interesting. I left Microsoft and I came to SAIC. I remember when I joined Microsoft in 2015, we were called "old tech."

I left Microsoft, we were “new tech.” I joined SAIC, we're “old DIB.” My hope is we're “new DIB.” I mean at some point we just have to kind of think about the fact that across the industrial base, innovation is happening at every level. If you looked at it as a portfolio, there's the venture community, there's the private equity community, there's integrators that are trying to figure out what's the 2.0 role for next system -- system integrators. There are primes, and, if you will, there are those who are building vertically and fully integrated solutions. All of them are in many ways trying to innovate. We have an innovation fund at SAIC. I think most people wouldn't even think when I hired my Chief Innovation Officer, I snagged Lauren Knausenberger out of the Air Force CIO role, and her first question was, and this is our new innovation officer, “we have an innovation fund?” A little concerning at first, you are the innovation officer, but this is how we bring it on. And the reason that's important is so much of what we've heard, and that your report card outlines, is that if we really juiced the actual infrastructure -- excuse me, the actual base, this industrial base, it's not about just more money, it's flexibility and the ability for companies that are mid-size to bring some of these small companies and some of these ventures and startups across that “valley of death.”

And we're doing it every day. I just don't think we actually have some visuals on how that's happening.

Rachel Hoff:
Where do you see the biggest challenges in doing that? The report card delivers some low grades. We were talking about that earlier. Where do you see the challenges to building those bridges, to doing that integration that the base is trying to pursue?

Toni Townes-Whitley:
As a former gifted and talented teacher in Fairfax County, just giving an F, I just want to commend you. That's a super hard thing to do, super hard because, look, let's get realistic about what we're seeing. So I think that brings a lot of credibility. Look, we know the government is looking for a combination of solvency, security, and scalability. On our end, we sit in the mission space, we embed technology and integration and science and engineering, and we have a view to what these companies, whether -- at almost every stage, what they're looking for. And I could probably boil it down to there's capital, and capital infusion to get through certain phases. There's coaching, absolute coaching that has to occur. And then there's some coherence, the coherence of what -- if you live in this world, you understand that DOD wants to be data centric, but the policies are often net centric.

They're not -- so if you're a small company or you're a startup, that coherence is not there. You have to have companies that can help you understand, or partners that can help you understand how to get through that. I think we have found, I was excited. We've been doing some work with a venture partner of ours, Sage, which is basically zero trust architecture capability, and just the ability to help them get through this pivotal moment. We're learning along the way. It's changing our own process. There's a little bit of reverse engineering that happens when you start to engage with the venture community, but I would suggest to you that the biggest challenges are signals, lack of clear signal from a customer, if you will, from the government, the government's ability to even give you a clear funding signal so you understand what should be in your IRAD.

The fact that companies like my company and many that are in the room, we're having to make bets. We're doing, if you will, we're making bets ahead of the curve. And that's okay. We've all got shareholders, we've all got boards, we all have to explain those bets. We're willing to make those bets. But the timing of the bet, the return on the bet, the consistency of the narrative, all of that are signals. Counter-UAS, perfect example, right? Top priority for the Department of Defense, one of the top ones, the signal has been mixed on what's the acquisition strategy? How do we go from a capabilities office to a true, full program? What does that look like for a company like SAIC that is positioned in this space, and not only in the DOD side, what that might even mean for Homeland Security or CBP on the border, what that would mean for that kind of capability. You got to have clear signal, and in the public -- if you're a publicly traded company, which I think condolences to all of us that are here on the publicly traded side, that signal has to be translated into a financial model. And I think we are struggling with signal. I don't think we're struggling with funding. Look, of course funding from the perspective of a clear funding signal, not more funding, but clear signal on funding and flexibility.
Rachel Hoff:
Well, that's where I think we do realize some of the lowest grades in the Report Card in
the assessment. Another lower-scoring aspect of our assessment was on the talent piece,
the talent base, our workforce. It's not to say that we're not -- we don't have some of the
best and brightest minds in the world here in our country, whether they're American
born or foreign born, coming here to study at our universities in STEM, even bringing
workers up through the skilled trades. How does industry think about workforce
challenges? How do you see those challenges in whether it's attracting talent, training
talent, retaining talent, and what are you all doing to overcome it, or what more do you
need from government to help?

Toni Townes-Whitley:
Well, look, I think you heard a great conversation, Under Secretary Shyu just sort of
named it. Look, both the pie is not as sufficient as it needs to be at the national level, and
then we're all competing for some of the same talent. You tend to have -- your critical
talent tends to follow where your company or your organization is trying to
differentiate. And so when we're all trying to differentiate in AI or data security or if you
will, cloud, we're all kind of going after some of the same. I go back to this idea, that first
applied innovation. We have to get people excited, students excited. I say this as a former
teacher, getting students excited at much younger ages about applied -- not just the build,
but the application of innovation. It is a different skillset, and we need to get them
excited. Look at down in Huntsville, the Alabama School of Cyber and Technology, taking
high schoolers from every county of Alabama, two from a county, one of the most
diverse schools I've ever seen. They do a three year high school curriculum. They get
their security clearance sophomore year, and they start working senior year and they
start working in Huntsville, in this sector, in the -- we need models like that at that stage.
The second answer to that is something that my friend Arun Gupta and I have been
talking about are triple-threat players. And we say that with a little sports excitement.
For those of us who play basketball -- Arun thinks he does, I actually have played.

But this sort of shoot, dribble, pass, triple-threat players. It has to be cool to come out of
your institution, your university and do a round in the public sector, in the private
sector, in the nonprofit world. The idea when I came out as a Peace Corps volunteer, it
was about service, and people thought that would hold back your career. In fact, it
actually catapulted my career. Many of you have had military service. People think
maybe that held -- it catapulted. We don't have a catapult signal to our students coming
out that says it's okay. Many of them are purpose-driven. They want to make a difference
in the public sector, but they think it's a trade-off. It's an either-or. And as long as we
have it as binary, you're going to see some phenomenal talent move out of the
government and not think that it is part of their career path. So that's a message we're trying to get through is triple-threat means go ahead and operate, and in fact, you better in every sector by having worked in the last one. So that's one area I think we've got to do. Government can help us tell that story.

Rachel Hoff:
Okay, a little basketball analogy during March Madness. There we go. Let's take a question from the audience before we end the session. We've got mics here, the audience questions, so -- oh boy. Well, I'd love to jump in with one final one of my own. I wanted to end kind of on a broad note: Industry. Again, back to your time in the tech sector. You think a lot about national challenges. We've talked about some of those today, the talent piece, the demand signal. What do you see as the biggest national challenges that you're trying to help solve?

Toni Townes-Whitley:
So look, as part of building our strategy, I'm six months in and we've been building sort of a growth strategy for our company. But part of that was the articulation of where was our company going to stand as it relates to national imperatives. Why? Because we're a 55 year old company that was built, for those who know SAIC, that was built as one of the most unique models of its kind, but they kind of enjoyed being the gritty, on the ground – before tech was cool, before STEM was cool, before DARPA was known, they were there challenging the government in some of the most complex problems that the government was trying to solve, particularly around national security. So to reinstill, our strategy was to identify where are we going to do the long-range commitment, long-term investment, differentiated technology around five key national imperatives. And those that are critical probably to this conversation would be around all-domain warfighting where we've made a commitment, undersea dominance where we make a commitment.

Yes, we are part of the reinstitution of the Mark 48 torpedo as well as what's become Mark 710 for the Navy, but this undersea dominance component, next generation space where we are all over, this conversation around space domain and space trafficking, air trafficking. And so I think that the thing that was interesting, I've talked now to four, I won't mention which political figures, but four political figures, four senior political figures as well as the Secretary of Defense. And it was interesting to hear their reaction: companies need to commit. The government's also looking for signal that we are willing to commit to long-term national imperatives, and whether that's the ethos of the company or whether this is what helps you retain your talent or you have a very
mission-oriented company, we've got to -- don't hurt yourself. Well, you're the cameraman. You can -- I'm just teasing, I'm just teasing.

Get a great picture. But we've got to commit to imperatives that are national imperatives, that are not just company imperatives. And you start talking about when the government sees that we can get past our proprietary dramas that we have within industries where we will sell things that we know the government doesn't quite need. We're not always on next gen where we all have our challenge with direct labor, all the things that happen to our industry. Is there something that ascends beyond that that we're willing come together and there's no way we're going to address these national imperatives as one company. This isn't about an SAIC market share, it's about who's with us as we start talking about all-domain warfighting and who's going to show up in INDOPAC to really -- and look, that's a number of different, it requires us to build an innovation ecosystem. And that's our way of sort of spurring our company on to say, what do we believe in? What's our ethos, what's our purpose, and how are we going to be here for the next 20 years doing that work?

Rachel Hoff:
You can tell she's good. She left me 10 seconds before the end of the session.

Toni Townes-Whitley:
No hard question. Four seconds, three,

Rachel Hoff:
Simply to say thank you. A great conversation, I think pulling on a lot of the threads that we've heard from today, and a good charge I think there at the end in terms of the demand signal that the partners in the private sector are sending to government that I think we can all take with us as well. Please join me in thanking Toni Townes-Whitley.

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