

# Electric Boat News

April 2000

## EB's strategic plan: 2000-2003

Dear Fellow Employee:

Electric Boat is proceeding into the 21st century guided by a newly developed strategic plan that is detailed and comprehensive. As professionals committed to the success of our business and ourselves individually, each of us will play an important part in ensuring that our strategy achieves its goals.

Five key objectives form the foundation of our plan. They are:

- \* To maximize and recognize the talents of our workforce.
- \* To perform on the backlog.
- \* To develop an integrated business-development system.
- \* To increase EB's market share in its core business, and to diversify into selected adjacent markets, and
- \* To increase the economic value of Electric Boat.



Each of us will contribute to these objectives in our own way, dependent on our jobs and assignments in the organization. Many of us are tied directly to the product; others are dedicated to developing the various support systems required to operate the business. But regardless of where you are in the company or what you do, your effort - and the efforts of your colleagues - are essential for our success.

In this special edition of the Electric Boat, you will find an interview with Steve Ruzzo, director of strategic planning, who explains the process used

to develop our plan, as well as the significance of the plan's elements. You will also find a graphic representation of the plan, which I encourage you to post in your work area.

This strategic plan is important to us all - it defines what our business is and what we want it to become over the next several years. Please take the time to become familiar with it. I know I can count on your support.

A handwritten signature in black ink, which appears to read "Mike Toner".

Mike Toner  
President

# The strategic plan: a backgrounder

*Editor's note: To help communicate the company's strategic plan for 2000-2003, EB News interviewed Steve Ruzzo, director of strategic planning, who explains how the plan was developed and what it means for employees.*

## What is a strategic plan?

In simple terms, it is a roadmap for Electric Boat. It establishes where we are today in terms of the business, where we want to take the business, and most importantly, establishes a plan to get us there.

It involves an assessment of the business environment from an external perspective. It also involves an assessment of our internal strengths and weaknesses. In terms of strengths and weaknesses, it's not just what we do, but what we should be doing in the future. It's what we do better than anyone else - those things that give us an



Steve Ruzzo

advantage over our competitors in the industry.

In terms of the business environment, it involves a very rigorous analysis of the market conditions.

I'll give you an anecdote. I recall quite clearly the first strategic planning meeting we had at Electric Boat when Bill Anders first came on as CEO of General Dynamics. EB was the first GD division that Anders visited as part of the annual corporate planning cycle and everyone was a little anxious over how the meeting would go. We had prepared a briefing that essentially walked through the strategic plan. One

of the first charts was titled "Business Base Assumptions," which is another way of describing our assessment of the business environment - how much money does the Navy have to buy ships, how many are they going to buy, where do we stand competitively.

As we started to go through that chart, Anders stood up, stopped the meeting cold and said 'let me make one thing clear right now. This chart is the most important chart we're going to talk about today. What you need to do is convince me that you understand your market and the basis for the assumptions on this chart and the logic behind

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# The strategic plan: a backgrounder

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them. Because if you don't understand it, then it doesn't make any sense for me to stay and listen to the rest of this briefing.'

So, the strategic plan is our assessment of the business climate and the course of action we'll take to deal with that. Where we have strengths we want to apply those strengths. Where we have weaknesses, we want to do something to mitigate them.

When all is said and done, the ultimate objective of the strategic plan is to ensure that we optimize our company's resources - people, facilities, equipment and capital - and generate the best return we can from the application of those resources.

## **What makes this one different from previous EB plans?**

I can take you back about 15 years in strategic planning at EB. We've been through essentially three different plan iterations. Starting back in the mid to late 80s, strategic planning was a very structured process driven by corporate office. It involved the preparation of a strategic plan according to guidelines set by corporate office. The analysis, assumptions, and actions were all developed internally by the strategic planning group at Electric Boat. There was very little interaction amongst the general manager's staff. The plan was reviewed by the director of strategic planning, the general manager of EB and the chief financial officer - they were the principal people involved. It was then forwarded to corporate office. Beyond that, there was no communication of the plan, no follow up. That's not necessarily a bad thing

since there are some schools of thought in which the president or CEO drives the strategic plan and he may opt to be the keeper of the plan. When I look back on it, the business environment was relatively static. We were at the height of the Cold War. The competitive environment was relatively stable. There wasn't really a lot of challenge from a strategic planning perspective.

That brings us to the next phase - where with the Seawolf recession and the end of the Cold War, everything changed for Electric Boat virtually overnight. In fact, it wasn't clear if EB would survive! That led us into the reengineering of the company, which

has been our strategic plan over the last eight to nine years, although we typically didn't refer to it that way. As painful as it was, the plan was focused on positioning Electric Boat for low-rate production. It hasn't been a real pleasant experience but at the same time, if we hadn't reengineered, I doubt seriously that we'd be in the position we are today where we have a strong business and are now looking at building on the foundation we laid through reengineering. That brings us to our plan today, a plan that retains our focus on maintaining a strong core business along with a focus on capturing new business that can provide growth.

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## **Understanding the Strategic Plan: 2000-2003**

### **Open forums to be conducted for Groton employees**

As part of the effort to communicate Electric Boat's strategic plan, a series of open forums will be held for Groton employees.

Steve Ruzzo, will conduct these forums. He will also listen to feedback and answer questions. Open forums are scheduled for:

1st shift:  
April 17 Noon  
Tech Center/3rd floor conference room  
April 19 Noon  
Safety Classroom  
April 26 Noon  
Safety Classroom  
April 28 Noon  
Tech Center/3rd floor conference room

2nd shift:  
April 18 6:30 PM  
Tech Center/3rd floor conference room  
April 19 8:00 PM  
Safety Classroom

Attendance is on your own time; there is no shop order.

Additionally, Ruzzo will present the plan to each supervisory training class.

According to EB President Mike Toner, all employees deserve to understand how their work contributes to the success of the business. Toner says his goal is to transform Electric Boat into an organization in which all employees value - and are valued for - their contributions to the business.

# GENERAL DYNAMICS

Electric Boat

## Strategic Plan S

**Strategy**

Maintain a strong foundation for growth by :

- Delivering our backlog -- meeting all commitments
- Being the industry's technology leader

Expand the business base

- Drive industrial base rationalization
- Teaming, partnering, alliances, joint ventures

Promote a professional work environment

Leverage core competencies to capture new business

Objective: Increase market share in core markets and diversify into selected markets

Objective: Develop an integrated EB business development system

Objective: Perform on the backlog

Objective: Maximize & recognize the talents of EB's workforce

**Mission**

Electric Boat leads the design, engineering, manufacturing, systems integration, test, delivery & life cycle support of the world's most advanced nuclear submarines.

We deliver the highest quality, affordable products & services to our customers through the commitment, technical excellence & innovation of our workforce.

We strive to balance the needs of our customers, shareholders, employees, and industry partners.



**Priority Actions**

**Priority Actions**

- Implement comprehensive personnel development plan
- Improve employee satisfaction

- Meet Seawolf/Virginia performance targets
- Complete design of Virginia & MMP to plan
- Meet Naval Reactor performance targets
- Achieve SEI/level 3
- Successful NavSea08 audits
- Successful SubSafe audits
- Maintain ISO/9001
- Maximize participation in Process Improvement Teams
- Continuously improve environ'l performance



**Priority**

- Form system
- Coordinate
- strategic
- Development
- actions

# Summary

Vision

We will deliver the world's most advanced nuclear submarines.

We will apply our competitive discriminators to strengthen and grow the business

We will deliver high quality, affordable, best value products.

We will be distinguished by:  
 Our innovative & highly competent employees  
 Our commitment to our customers, employees & shareholders

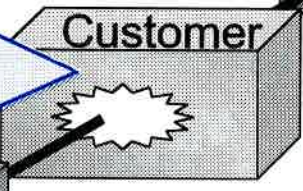
We will live our values every day.

Objective: Increase the economic value of Electric Boat

Increase EB's core business; related adjacent

Develop

Priority Actions  
 Global BusDev  
 Coordinate  
 Professional  
 Strategies with Bus  
 & market  
 trends



## Priority Actions

- Maintain wrap rate at or below CAIG line
- Achieve IRR > 11% on all investment opportunities
- Achieve Financial Targets
  - Sales
  - Earnings
  - Cash
  - Orders

## Priority Actions Manufacturing Focus

- Develop enhanced modular mfg strategy for future construction
- Develop modular mfg plan for E-drive
- Support GDLS AAV as required
- Become steel processing center of excellence

## Waterfront Focus

- Achieve Virginia class multi-year follow-on
- Additional overhaul/repair work by end 03
- Establish center of excellence for MIP by end 03
- Win SSGN conversion contract by end of 01
- Grow use of COATS facility

## Design & Engineering Focus

- Develop plan to transition VCS GFE to CFE
- Implement plan for VCS capability insertion
- Refine & validate GD Marine IPDE strategy
- Maximize CVN(X) design participation
- Partner with public sector yards/TRF
- Partner with private sector yards
- Support conversion of DARPA Sub Payload & Sensors to Phase II
- Capture lead design for SSGN incl fire control
- Partner with USN Labs
- Capture lead design for E-drive in SSN by end 03
- Achieve dominant position in USN common E-Drive
- Grow lifecycle support

## International Focus

- Participate in programs in support of USN objectives
- Explore relationships with industry partners



# The strategic plan: a backgrounder

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## **Describe the process used to develop the plan.**

With increased emphasis on growing the business, it was clear that we needed to revisit our strategic plan. To help us in that process, last May, we brought in a consultant, Bill Hoover, who had developed a planning process



that he had used effectively as a chief executive officer. You're probably asking why did we need a consultant to help us plan our business? Let me first say that the management team at EB understands this business. They eat, sleep, and breathe it every day. And they are committed to the success of the company. What Bill did was to play a key role from two perspectives. First, he kept us focused on the task and the process; second, and more importantly, he served as a catalyst to stimulate the group discussion and debate.

The process we used was not too different than many strategic planning models. Essentially we started by gathering data. We did a benchmarking of Electric Boat, starting with a questionnaire that was used to capture a sense of upper management's assessment of Electric Boat's business - who were our key customers, what were our key strengths and weaknesses, and where were the most viable business opportunities for Electric Boat in the future. The other major piece of the data-gathering process was a market

analysis initiative, which was conducted by the people in Strategic Planning at Electric Boat working with other staff members.

Armed with that information, John Welch took his staff offsite for three days. When he kicked off the meeting and laid out the agenda, he said 'oh by the way, we are not leaving here without a plan.'

With that as a backdrop, we set about developing the strategic plan. The first thing we did was to articulate a mission and a vision for Electric Boat. The mission essentially states where we are today. The vision represents where we want to take Electric Boat in the future. Those are two concise, seemingly simple statements. But there was quite a bit of discussion, dialogue and debate amongst the staff over - not so much the mission - but the vision - where do we want to take Electric Boat.

Once we established where we are and where we want to go, we then developed what we called the strategic envelope. The way you develop the envelope is to basically look at your key capabilities, your core products and services and then look at your key customers. The definitions of your core products and services and your key customers form the envelope within which you focus your resources. Once you've got the strategic envelope established, then you develop strategic objectives - business targets - within that envelope to get you to your vision.

Typically, you have several key objectives - you may have one that's finan-

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## **Strategic Plan Glossary**

GDLS AAV = General Dynamics Land Systems Advanced Amphibious Assault Vehicle.

CAIG = Cost Analysis Improvement Group

CFE = Contractor Furnished Equipment

CVN (X) = U. S. Navy's next nuclear aircraft-carrier design

GFE = Government Furnished Equipment

IRR = Internal Rate of Return

MIP = Mold-in-Place

MMP = Multi-mission Platform - for Jimmy Carter (SSN-23)

SEI = Systems Engineering and Integration

SSGN = Nuclear-powered guided-missile submarine

# The strategic plan: a background

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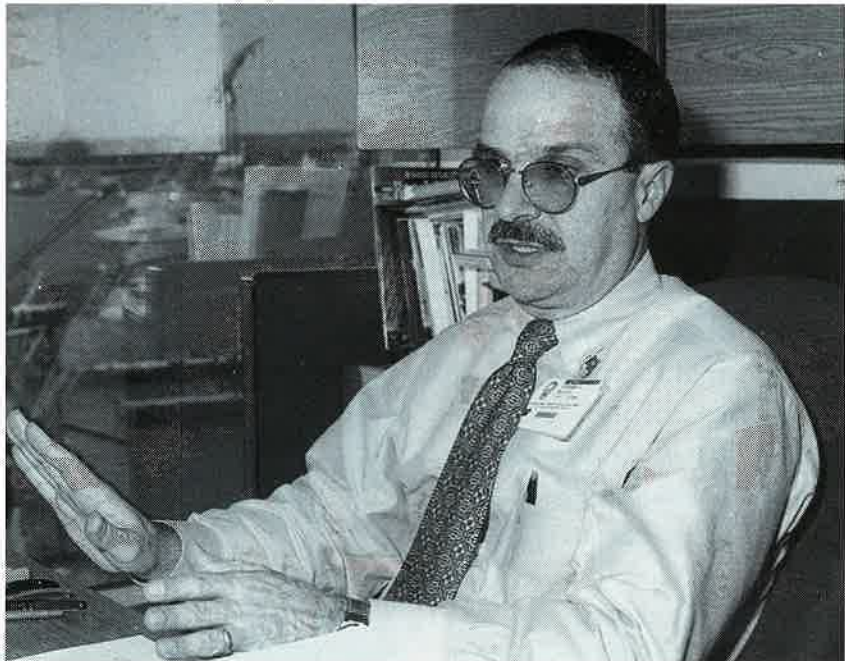
cial in nature, one that's oriented toward your people, one that's aimed at performing on your existing business base, and one aimed at new business opportunities.

So you have mission, vision, strategic envelope, strategic objectives and the actions you're going to take to achieve the objectives.

Later in the year, the staff reviewed the plan with a group of the company's top 60 or 70 management members and invited their comments. Clearly, one of the most significant changes has been a major emphasis on communicating this plan to everyone at Electric Boat. John Welch believed that if we wanted commitment to the plan, we had to get the people involved in development of the plan.

Now, Mike Toner has picked up that ball and is running with it, both in communicating and implementing the plan. Mike has conducted strategic plan briefings for several hundred management employees at Groton and Quonset. There's been an e-mail from Mike to all employees indicating that we plan to follow up with a major communication effort to ensure that everyone has the opportunity to see the strategic plan. We expect to post the plan on the EB Intranet. There will be briefings and open forums held for anyone and everyone who's interested in hearing the plan. This emphasis on communicating the plan to all employees is a major change.

**What does the plan mean to the average working man or woman at EB?**



I think what it should demonstrate is that there is a vision and a plan to take Electric Boat into the future. By widely communicating the plan, it will show our employees what role they play in achieving that plan. It will lay out what businesses we expect to be in and not be in. Most importantly, employees will know that there is a plan and a vision that we're headed toward, and that every employee contributes to the plan's success.

**This plan goes out to 2003. Is it set in stone, or will it be modified periodically or as events dictate?**

As part of the planning process, we review the plan on an annual basis - we've always done that. As part of its everyday business charter, the strategic planning group is always looking at the market environment and the competitive environment to keep track of changes. If external business events demand change, then we change. If

there are internal changes, then we make changes accordingly as well. Generally speaking, the strategic plan isn't going to change all that dramatically from year to year. I'd like to add here that just because the time period covered in the plan only goes out to 2003, that certainly doesn't mean that we are not looking beyond then in planning the business. Depending on the area of the business, we may be looking out 10 to 20 years.

**How can you tell if the plan is working?**

We have a fairly extensive list of priority actions within the plan - individual actions or activities that are assigned to people and organizations to go accomplish. As part of the planning process, we monitor our progress against the targets that we've set. If we hit our target, our plan is working. If we

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## Strategic plan: a backgrounder

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don't, we find out why, and adjust our plan accordingly. Lastly, as Mike stated at his expanded staff meetings, we'll know how we're doing because you'll tell us!

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