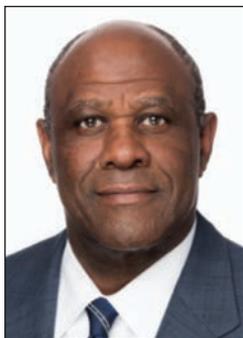


Promoting Ethical Behavior

An Interview with Leo S. Mackay, Jr., Senior Vice President, Ethics and Enterprise Assurance, Lockheed Martin

EDITORS' NOTE Leo Mackay, Jr. is Senior Vice President of Ethics and Enterprise Assurance for Lockheed Martin. As the Chief Audit Executive, he provides independent, objective assurance and advisory activity to improve the corporation's operations. He is also on the Board of Directors of Lockheed Martin Ventures, its \$200 million venture capital fund. Mackay previously served as Vice President of Corporate Domestic Business Development as well as President of ICGS, LLC, a joint venture of Lockheed Martin and Northrop Grumman focused on the U.S. Coast Guard's modernization. A graduate of the U.S. Naval Academy, Mackay was a secretary of the Navy Distinguished Midshipman Graduate. After pilot training, he spent three years flying the F-14 and graduated from the U.S. Navy's Fighter Weapons School (Topgun). He is a veteran of Operation Earnest Will. Mackay was deputy secretary of Veterans Affairs, and the designated Chief Operating Officer, of the second largest U.S. cabinet agency. Mackay is an independent director of Cognizant, Inc., Ameren, Inc., and USAA Federal Savings Bank and also serves as a strategic advisor to Pegasus Capital Advisors. He earned a master's degree and doctorate in public policy from Harvard University. He was a Kennedy Fellow, Harvard MacArthur



Leo S. Mackay, Jr.

Scholar, Graduate Prize Fellow, and a Research Fellow at the Center for Science and International Affairs.

COMPANY BRIEF Headquartered in Bethesda, Maryland, Lockheed Martin (lockheedmartin.com) is a global security and aerospace company that employs approximately 110,000 people worldwide and is principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services.

Will you provide an overview of your role and key areas of focus?

The overarching theme of my work would be what a consultancy or accounting firm would refer to as the governance, risk and compliance portfolio. Aspects of the role conjoin with our general counsel, our human resources office, and our government relations team. Together, we provide a robust risk management framework for the corporation. Specifically, I handle four portfolios: Lockheed Martin's ethics and business conduct, enterprise risk and sustainability, internal audit, and our environmental, safety and health program. The role has a large amount of coordination with our functional peers throughout Lockheed Martin as well as with our board.

Will you elaborate on the focus around ethics at Lockheed Martin?

My first role at Lockheed Martin was as vice president of ethics and business conduct which I assumed over a decade ago. Ethics is about business integrity and our commitment to do what's right, perform with excellence and respect others. The role has two features which I think are rare in American industry. First, the role at Lockheed Martin has always been a direct report to the chairman, president and chief executive officer. When I began the role as a vice president, I was the only vice president that was a direct report to the chief executive. Second, we have full-time ethics professionals across the corporation who do our investigations and whose sole duty is to be ethics officers. These are individuals who come from different parts of the corporation and who understand our values and culture, and then we train them through a rigorous internal program to be ethics officers. We teach them the principles of business ethics and integrity as we live them at Lockheed Martin. They have to pass an assessment each year to qualify to be, and to remain, an ethics officer at Lockheed Martin.

We are very transparent with our people about our investigations so that they are apprised of where we are at all times of the investigation, which is critical. We are proud of the high-level of institutional trust that we achieve. The proof point for this is the low percentage of anonymous reporting which results in a more effective and thorough investigation.

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How critical is the focus on sustainability at Lockheed Martin?

We have had a long maturation regarding sustainability and I would say that it has been mainstreamed into the decision-making at Lockheed Martin. When we started our sustainability program, we had a standalone council which we needed in order to develop the program metrics. Over time, we integrated all of these activities. Now our chief executive and his direct reports are the governing body in our sustainability work. Sustainability is now a part of our regular business practices. Sustainability has gone from a separate program in its early days and is now part of the broader mission, decision rhythm, and agenda of the corporation.

Will you discuss Lockheed Martin's efforts and commitment to building a diverse and inclusive workforce?

This is part of the war for talent. No company, especially one as large as ours with a need for technical and engineering talent, can afford not to pursue talent in all places and with all kinds of people. We have to go wherever the talent takes us and talent manifests itself in all types of people, men and women of all ethnicities, orientations, identities and affinities. Our focus is to attract all possible talent and make ourselves an attractive place to work for all. I believe that talent is normally distributed between people so if there is a fair process in your recruitment and hiring practices, you will have a diversified

workforce. I am a real believer in a simple recipe: robust recruiting, equal opportunity, and a level playing field. It is also critical to provide training and development opportunities once people are hired in order to retain the talent. You need to provide advancement opportunities in a fair and unbiased way. If you do the right thing from the beginning, starting with hiring practices, through development, selection, follow-on training and advancement, you strengthen the enterprise.

You serve on the board of LM Ventures, Lockheed Martin's venture capital fund. Will you discuss the mission of LM Ventures?

Lockheed Martin Ventures has made a large impact and our aim in venture capital is pretty straightforward. Some of the greatest technological advances in the history of the world have happened in the past few decades and Lockheed Martin Ventures provides us with a way to participate in the stream of innovation based in Silicon Valley and other innovation hubs. The best thing about venture capital is that it really occurs in an ecosystem where you would think that money is the focus, but money comes cheap. The reality is that what is most important is smart people, hard problems, and the talent and resources to address them. Lockheed Martin has these in abundance and this makes us a valuable venture capital partner. We leverage the money we have available to participate in all sorts of innovative companies and are beginning to see results with these investments.

You have a military background and have served in the Navy. How did this experience shape your management style and thoughts on leadership?

I tell people that everything I learned about management and leadership I learned in the U.S. Navy. The military provides discipline and order, but people don't always appreciate the importance of creativity and flexible decision-making to mission accomplishment. While there is a major emphasis on planning in the military, the need to adapt any plan is critical since you have to understand and deal with constant changes and unexpected events.

You also build a real trust with early-to-middle career service men and women and your subordinates since one of the secret weapons the military has is this group of people. If you provide them with the tools and resources they need, you will be amazed at what they are able to accomplish. In my later experience as a business leader, this translates to how you work with people in a business environment. You need to provide the plan to your team and then have the confidence to let them do their work and achieve their task. Give good people clear direction, and dozens, if not hundreds, of sound decisions in accordance with the plan will be made. Many will be innovative, and far beyond what you could have come up with yourself. ●

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