



David F. Melcher

EDITORS' NOTE Lieutenant General (Ret.) David Melcher joined Exelis in August 2008 as Vice President of Strategy and Business Development for ITT Defense and Information Solutions, then an operating segment of ITT Corporation, following 32 years of distinguished service in the United States Army. He was appointed President of ITT Defense in December 2008 and led that company for three years, preparing it for its spinoff from ITT and launch on the New York Stock Exchange in October 2011, which led to Fortune 500 status. At that time, he was appointed by the board as Chief Executive Officer and President of Exelis. In his previous career as a General Officer in the U.S. Army, he served in the Pentagon as the Army's Military Deputy for Budget and Deputy Chief of Staff for Programs (G8). He also served as Commanding General of the U.S. Army Corps of Engineers – Southwestern Division in Dallas, Texas. Melcher holds a bachelor's degree with a concentration in civil engineering from the U.S. Military Academy at West Point and two masters' degrees, including one in business administration from Harvard University and another in public administration from Shippensburg University. He is a former White House Fellow who served as the Executive Assistant for the Director, Office of Management and Budget in the White House.

COMPANY BRIEF Exelis (www.exelisinc.com) is a top-tier global aerospace, defense, and information solutions company. Operating on four continents with strong positions in enduring and emerging global markets, Exelis is a leader in Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) related products and systems, and in information and technical services for military, government, and commercial customers.

What were the origins of Exelis and how has it evolved?

Exelis was the outgrowth of a spinoff from ITT Corporation in 2011, which was the second major spinoff in ITT's history.

Building the Exelis Brand

An Interview with David F. Melcher,
Chief Executive Officer and President, Exelis Inc.

Our company has many ancestors from the commercial and defense marketplaces to sporting arenas, hotels, and insurance – all of the things that were part of the ITT conglomerate back in the days of former CEO Harold Geneen.

Now, as a standalone defense and aerospace technology company, Exelis serves the U.S. Department of Defense and civilian government agencies, as well as international and commercial customers.

How broad is the range of products and services you offer?

This is a company that provides both products and services primarily for government customers, including things like satellite payloads, tactical radios, and night vision goggles. We designed and currently operate the FAA's large GPS-based network for next generation air traffic management and we run about 60 percent of NASA's networks.

We do things that are around you every day that you may not realize. When you turn on your GPS device, that signal comes from an Exelis payload in space that helps enhance navigation and provide precision timing for things like financial transactions.

When you listen to the weather forecast on the weekend, many of those views from space come from instruments that we have built for NOAA and NASA.

When you click on Google Earth, more than likely you are looking at an image that has been produced by a space-based commercial camera that we have manufactured.

As a standalone company, is brand awareness really important to you?

As a relatively new company, we're in the process of building the Exelis brand globally. In our first two years, we called ourselves ITT Exelis because we are a continuation of a great 50-year defense business known as ITT Defense.

But after two years as an independent public company, more people are responding to us as Exelis and less as ITT.

One of the ways we will celebrate our two-year anniversary as

a standalone publicly traded company is to take the next step in establishing the Exelis brand and drop the "ITT" that is currently part of the name.

In terms of clientele, how much growth opportunity is there?

Within our portfolio, we have three growth engines: in critical networks; in electronic warfare; and in intelligence, surveillance, and reconnaissance, and the data analytics around those.

These are important areas for the Department of Defense in the U.S. and potentially for the international market, which accounts for about 10 percent of our revenue today.

So the capabilities we have – even in a declining overall U.S. defense market – are valued and we would like to continue to grow internationally as we go forward because there is a wide range of customers that want these capabilities.

Commercial products are about 4 to 5 percent of our business today and I'd love to grow that to 8 to 10 percent of our business in a couple of years.



Exelis provides maintenance, operations, and engineering support for the Deep Space Network (DSN), an international network of antennas that supports interplanetary robotic spacecraft missions (like the NASA/JPL Mars Exploration rovers) and radio and radar astronomy observations for the exploration of the solar system and the universe.

How competitive is this market?

We compete with and partner with a good number of what we call “competimates,” which are the large prime contractors in the aerospace and defense industry.

In many cases, we will partner with them on an important project or pursuit, but the next day, we’ll be competing with them in another venue.

In today’s environment, there are at least two companies, producing virtually every capability the government buys. So it remains a competitive environment.

How do you show what makes a company unique in this space?

By being the best at what we do. Our night vision devices are viewed by many as the best in the world. We have had the lion’s share of production for the U.S. government and an increasing share in international arenas in night vision. The same is true for some of our jamming technologies as well as for our satellite payloads and large-scale critical networking capabilities. We have a number of critical technologies that very few companies in the world can produce.

Is it challenging when reaching a certain size and scale to continue to innovate and how do you maintain that edge?

You always have to invest in developing the technologies that are important to the future. In this environment, we’re focusing our investment internally on those technologies that we think have the most promise given where our customers are going: protection of networks and cybersecurity, electronic warfare, data analytics, and sensors.

You have to keep investing. If you don’t, you won’t have the technologies that are needed tomorrow.

Is this an industry that is still attracting young people?

There is a competitive marketplace for young engineering, computer science, and IT talent.

We have programs whereby we bring interns into the company while they’re still in school, which lets them see the kind of work we’re doing and the real sense of our purpose, values, and mission. When young men or women experience passion for the type of work they do, they begin to appreciate how our capabilities and technologies are saving people’s lives today on the battlefield and are important for this nation’s capability to defend and protect itself. That sense of excitement permeates our environment and attracts talent.

The aerospace and defense industry is currently on a downward trend so competing for that talent is increasingly important. We also work hard to develop our talent to enable our young leaders and managers to grow.

What are the key markets you’re most focused on and does that focus extend into the emerging markets?

The Middle East remains a viable international market for our company. We sell capabilities like night vision, radios, and even satellite payloads there.

Another is the Asia-Pacific region, where we have sold capabilities to Australia, South Korea, Japan, and others.

We’re also seeing opportunities emerge in South America.



Exelis is the world’s leading developer, producer, and supplier of Generation 3 image intensification technology for U.S. and allied military forces, as well as the federal homeland security market. The company is also the first provider of the Enhanced Night Vision Goggle (Optical) system, which is the first production goggle to optically overlay traditional night vision imagery with long wave thermal infrared imagery.

Have the needs changed today?

In every post-war period, there is an appetite to pour more of the nation’s resources back into things like education, transportation, and infrastructure.

However, there is a certain level of defense that you have to maintain in order to sustain the nation’s security, not only to protect it from cybersecurity intrusions but also to ensure that the Army, Marine, Air, and Naval forces have the capabilities they need to handle the range of responsibilities that go along with our role as a world leader.

The question is, whether the U.S. intends to remain a world leader and shape what happens in the world or do we want to retrench back to something less influential? I believe we want to retain those capabilities to be a world power and shape and influence what happens around us in a positive way.

How does Exelis invest in the community?

As a new company, we had an opportunity to decide what causes we really cared about. We chose to create the Exelis Action Corps, which is a volunteer-based corporate philanthropy effort within our company to align our dollars and human capital with those who have served our country – our veterans and military families.

We work with the Points of Light organization through their Community Blueprint initiative, which creates and implements volunteer programs that support service members, veterans, and their families. We have aligned our workforce – 20,000 strong – around this initiative and, so far, it has been very successful.

How does your military career impact your role as CEO?

Before you know how to lead, you have to learn how to follow. The military helps you learn how to be a good team member. Through successive opportunities to lead soldiers, you learn how to lead teams over time and match a vision for the organization with the sense of energy and purpose to accomplish it. These principles apply in business, which is why we can derive such benefit from the 10 percent of our workforce who are veterans, when partnered with the other 90 percent who are patriots.

With so many regulations, is it tougher today to run a public company?

I don’t find the regulations and scrutiny to be overly intrusive – they are protective of the public and shareholder interests. I actually enjoy and expect to be accountable to our employees, investors, and other stakeholders.

Have Wall Street and the financial community embraced the vision for the company?

I surely hope so. Since our inception as a public company, we have tried to meet our commitments to our shareholders and offer them sufficient

returns for their investments. I believe we have been building confidence with them over time and this will continue to be a major focus for us.

How critical is it for you to still find time for direct client contact?

It’s extremely important. You have to talk to customers frequently in order to understand what problems they need you to solve, because otherwise, you can’t invest and focus your efforts properly. Having been a customer during my time in the Army, I fully understand the benefit of having close vendor relationships, which ultimately results in the best capabilities being fielded for our military and civilian customers.

What concerns do you have going forward?

The overall environment in the defense industry is of some concern. The leadership and the Department of Defense are struggling with how to deal with the cutbacks, which have been enacted and won’t be reversed.

We’re trying to get leaner so we can be competitive and help our customers with affordable solutions for the future – that is going to be a key factor for the Department of Defense and our industry.

If I met with some of those who have worked with you and I asked what it was like to work for David Melcher, what would they say?

Hopefully, they would say he’s a leader who knows where we want to go; he provides the right inspiration and motivation to try to get there; and he’s willing to set the example in what he does to show us the correct path. ●