

KPMG_APC-213 Strategic Compass FINAL TRANSCRIPT V2

Kathy Hollinger: (00:03.362)

What's driving national growth in all industries from one of the country's most dynamic regions?

Patrick Ryan: (00:09.838)

Welcome to Strategic Compass, our new podcast exploring the strategic forces shaping the future of business. I'm Patrick Ryan, KPMG's national managing partner, advisory strategy and markets.

Kathy Hollinger: (00:23.598)

Kathy Hollinger, CEO of the Greater Washington Partnership. We are thrilled to sit down with the region's most influential leaders to hear their stories of bold ideas, collaboration, and leadership shaping the economy from Baltimore through Washington, D.C., all the way to Richmond and nationally.

Patrick Ryan: (00:45.26)

And as we dive into these conversations, we'll uncover how greater Washington area CEOs are driving national conversations.

Kathy Hollinger: (00:56.13)

Welcome to the latest podcast in our series, Strategic Compass, where we discuss how greater Washington area CEOs are driving very important national conversations. I'm Kathy Hollinger, CEO of the Greater Washington Partnership. I'm joined by my co-host, Patrick Ryan, national managing partner at KPMG and delightfully, Greater Washington Partnership board member. Thank you.

Patrick Ryan: (01:22.488)

Thanks, Kathy. We've had an opportunity to speak with many leaders that display bold leaderships and place bets, both nationally and in this region. And we're really excited to kick off this Strategic Compass series here today with a leader that's at the forefront of the aerospace and defense industry. Northrop Grumman stands at the front of A & D, pioneering advancements that not only strengthen our nation, but also our region's workforce. So thank you, Kathy, for joining us.

Kathy Hollinger: (01:49.016)

Well, thank you. It's great to be with both of you.

Kathy Hollinger: (01:51.404)

Delighted to have you. We are going to be exploring how innovation, resilience, leadership show up, but really in the industry that has been most competitive. And we're delighted to be able to have Kathy Warden with us, recognizing her role as chair, CEO and president of Northrop Grumman.

I will say that we are also so honored that she is our chair at the Greater Washington Partnership Board, a reflection of a community of really fantastic CEOs who are vested in this region, growing in this region, and we hope we can keep in our region. She was reappointed to serve another term, and Kathy, I think we have talked about how important that is as we think about the moment that we're in here in the region.

as we hope to be a model for how we grow the economy. So I'm really delighted we can have this conversation at such a timely moment.

Patrick Ryan: (02:53.432)

So Kathy, you're from Smithsburg, not an area maybe that is recognized on national level, but one we certainly know from the region. You're also a JMU alumni as am I, so very exciting to have you. How do those yearly experiences in this region and in Smithsburg particularly shape your career?

Kathy Hollinger: (03:11.054)

Well, Patrick, I did grow up in Smithsburg, as you said, and I'm proud to have been born and raised in this region. I didn't necessarily know whether I would spend my career in this region, but I did go to James Madison and really fell in love with the area all over again and found myself coming to Washington to work and to explore what options would be available for me. I knew that technology and solving tough problems was

just something that inspired and motivated me. But I didn't get into the defense industry until a little later in my career. And that was the impact that 9-11 2001 had on me both personally and professionally, which landed me in this industry and has really kept me rooted in this region for my entire career.

Patrick Ryan: (04:02.19)

That's great. I know I heard a lot of incredible stories around 9-11 and it may not be something that our younger workforce really appreciates had such a lasting impact. I know it did on me too. So thank goodness that that was the driving event that's put you at the forefront of one of the most important countries, companies in our region and in our country. Kathy, do you want to maybe shift gears when we talk a little bit about leadership?

Kathy Hollinger: (04:26.732)

Well, I was going to, you know, I was going to ask about a specific moment in time that served as a guiding principle for you and in thinking about your own path and where you are today. sounds like 9-11 was probably that moment in time for you. But as you've had to think about transformation and probably various points in time where our economy was disrupted, industry was disrupted, what

would be the anchoring leadership lesson that has helped you think about various moments of disruption throughout your career.

Kathy Hollinger: (05:06.69)

Well, 2001 certainly was a year of disruption. It was both personally transformational for me. I had lost my father. I had had my first child. And in my work, I was focused on the financial services industry, both in New York and here in the region. And so in every aspect of my life, there was a form of disruption, many positive, of course, the events of 9-11.

being very negative and concerning to me. And when I had the opportunity later that year to do work in national security, I thought I would do that for a short chapter of my career. And I wanted to give back and contribute in some way to our country. And yet when I started doing the work, I realized I had a passion for it that I hadn't had in any of the work I had done before.

not because I hadn't worked for great companies or done important things, but it just had more meaning to me because I felt like I was making the world a safer place, even in some small way that I had just brought my first child into. And so as I have continued in my work, supporting national security, supporting the US and our allies to have the best technology in the world, it's with purpose.

And I think that's one of the special things about this region is that we are at our nation's heart of government and in ways that others may not appreciate, we are able to have a seat at a table and influence how our nation moves forward, as well as back that up with capability and technology that companies like mine and many others provide.

Kathy Hollinger: (06:51.738)

I would, Patrick, probably want to ask at this time, because you were both a part of a community of leaders in the region, as you think about the partnership and the table that you were both a part of, and you think about so much of that purpose and passion and recognizing how unique we are here in this region, but particularly for all of you as leaders in the region, what is the most valuable piece of the

partnership in terms of a table, probably today in thinking about another form of disruption as we think about technology and AI, but we also think about those who are around the table to drive some of that change.

Kathy Hollinger: (07:34.634)

I appreciate having the opportunity to interact with people who, like me, are trying to use that seat at the table for good to make sure that we are as a region coming together and using the collective voice resources that we have and resources we're responsible for to make a

real impact, not just in the region, but as I said, in Washington, D.C. and the surrounding area, decisions get made that

not only impact this nation, but also the world. We are at not only this country's seat of government, but play a really important position on the world stage. And we can do that from our seats in our particular company, but we do that so much more impactfully when we do it as a collective. And the Greater Washington Partnership gives us the opportunity to do that.

Patrick Ryan: (08:30.784)

Yes. I think, the diversity of different sectors, the diversity of different backgrounds, different, we each have different stakeholders is so powerful because everybody's bringing a different perspective to bear and all that's really, it's impactful around the Venn diagram of this region.

Kathy Hollinger: (08:50.86)

Absolutely.

Patrick Ryan: (08:52.91)

So just maybe shifting gears and talking a little bit about talent in the region. So Northrop implies I think north of a hundred thousand people. Many of them are in this region, Baltimore, DC, many different offices around this region. Certainly there's a depth of legacy, aerospace and defense, government, talent. But how do you see this region being different relative to the talent you're trying to bring to Northrop?

Kathy Hollinger: (09:19.764)

One thing that's unique about this region is we do research and development here. We do manufacturing in the region and we do it across many different disciplines. And that is a testament to this region having talent of all types. And you mentioned diversity of backgrounds, skill sets, education. And we have just a rich set of everything from K through 12 education.

to technical colleges, to universities, and higher levels of research that are happening in this region that we can draw from, partner with, to do our work. And I would say in this region, there isn't as much manufacturing as I think there should be, because there also is a rich talent pool of workers that come with commitment and a desire to make an impact with their hands.

and to show up at our factories every day building product that's very complex and critical to the nation. And I'd love to see more of that in this region.

Patrick Ryan: (10:27.79)

Yeah, I think particularly I've seen Northrop do a lot in Baltimore.

That community as we've looked about the health of Baltimore versus DC versus Richmond, it brings certain depth. It needs a level of corporate investment that Northrop certainly is bringing to the table. So that's really exciting to hear. I'm sure that the Baltimore community really feels like that's a meaningful impact. And it is for the region at large.

Kathy Hollinger: (10:52.78)

Yes, we have over 12,000 employees in the greater Baltimore area and a large portion of that is manufacturing workforce. But the same is true in Northern Virginia. We just opened up a new factory in central Virginia. Just really excited about all the opportunities that this region represents.

Kathy Hollinger: (11:11.438)

incredible. Kathy, I know that when you and I first started working together and thinking about skills and thinking about workforce, and it's really pulling the thread a little bit on what Patrick asked and you spoke to, we really talked about how are we expanding that pipeline to think about how to pull talent in, knowing that there were many employers across the region who were pulling from more traditional

skill sets and institutions and I think you really helped us think about as an organization with all of you, how are we really ensuring our community colleges and our four years and our trades are at the table to be able to think about the workforce that would be needed or could be needed in industries that may have been more traditional in their approach to attract that talent. I think you're doing a lot of that by expanding your own

scope of how to attract, is that right?

Kathy Hollinger: (12:10.382)

are and it's a recognition that not everyone wants to pursue a four-year degree to land in a corporate job and we have many jobs that do not require a four-year degree. Some don't require a degree at all and so we have been focused on ensuring that people realize that and the whole range of opportunities that our company and our industry represent even in this region.

and to create pathways for people to find themselves at the right starting point in our company, but then also to grow and expand. I was just meeting with one of our early career employees, 23 year old who had not had a college degree, was working as a server in a restaurant. We contacted him, brought him into a training program. He started on our manufacturing floor, loved the work that he was doing.

but said, I think I can do more. want to aspire to a leadership position. So we helped him get a technical associate's degree and he

is now leading that work cell in our manufacturing plant. And when I was talking with him the other day, he said, now I think I can go on and get a four year degree because I want even more opportunities. And he said, I never thought that would be possible for me until I came to Northrop Grumman.

and you have shown me a pathway that I didn't know existed. That's what inspires us to do this work. It's to help people who may not even know what they personally are capable of realize those opportunities available to them. That is.

Kathy Hollinger: (13:51.886)

fantastic to hear and I think it requires both the how you show up as an employee but also leadership in terms of how to spot that kind of talent and potential.

Patrick Ryan: (14:06.274)

That's also, mean, just thinking about, we spend a lot of time at KPMG thinking about how AI is going to disrupt everything in the world. And it's, easy, I think, to get anxious or worried. I feel a renewed sense of comfort hearing that, you know, there's a lot of things that are important for this, for the American people that require hands and doesn't necessarily always require a four year degree or a master's degree that you have somehow built a conglomerate of.

different backgrounds that really feeds into this region that represents this region. So it feels like that's a really bright spot for us here that this is a diverse set of skill sets built on serving a wonderful client with growth ambitions that we should all aspire to be that.

Kathy Hollinger: (14:53.614)

Yeah, think that it's it used to be very specific industries that offer those opportunities to come in and grow within. I think we're seeing that more and more industries have to rethink and reset and consider the skills that are in place for that individual to be able to show up in ways that the employer will also bring along.

And it's encouraging knowing what we're trying to build in terms of future-ready economy here.

Kathy Hollinger: (15:26.754)

Technology really has enabled us to do some of what I just described. Because if you can on the manufacturing floor have automated work instructions or HoloLens glasses that are showing an employee exactly what to do, they learn very quickly utilizing that technology assist. And then they can...

expand to the next stage of contribution. And that's true in every job class. It just takes time for a corporation to figure out how do we

apply the technology to the work so that we're assisting people, not replacing people. How do we enable technology to be a leverage point, not something that imp...

that workers fear because it's going to take over their work. And we've been very focused on that. And I would say quite successful in doing that in all job classes in our company.

Patrick Ryan: (16:22.734)

Just thinking about that innovation and investment, you operated an industry that has incredibly long lead times for the things that you produce to do R & D around. How do you think about being agile in your investment approach with knowing that really long lead times, certainly a lot of volatility from a geopolitical perspective? Is there a special sauce that Northrop brings to the table that you could share with others?

Kathy Hollinger: (16:51.162)

We focus on the word and, so you can do exquisite and very high performance systems that take a while to both design, develop, and produce, but you can also do the same type of high quality engineering focused on schedule optimization, designing a product that can be quickly built and manufactured.

And so we have really demonstrated across our company that that same core expertise, and it really is engineering at its core, it pointed in different directions can yield the outcomes that you need. And we have prided ourselves in that it's been the key contributor to our growth over the last few years, but more importantly, it's about getting our warfighters what they need when they need it.

Sometimes they need really high performance gear because they have to have the best kit of anyone in the world to survive. And then other times it's they need masks and that mask has to be affordable. It has to be deployed into their hands very quickly because they're responding to something that was unanticipated. And we have the capability within our company to do both. It's a matter of getting resources to the highest demand need at any given time.

Patrick Ryan: (18:09.376)

And I assume having an incredibly agile research and development function. Somehow you have managed to have this secret sauce for decades and decades and made lots of very strategic right decisions along the

Kathy Hollinger: (18:13.41)
very much.

Kathy Hollinger: (18:21.4)

Well, and that also goes back to people, people passing their

knowledge and know how from one generation to the next. And it's in a company like ours where technology leadership is so core to us providing our customers what they need. We have to have a system where people do share. They share knowledge, they share.

work products and that they are there for the common good. It's one of our core values. We have four core values and one of them is committing to collective success. And that's not just about collective success with our customers, it's with one another and bringing the whole power of the corporation to solve those tough problems. And I'm really proud of our entire team because they work in a cross-functional way to share knowledge to get the best outcomes.

Kathy Hollinger: (19:09.334)

I would say also, you the point you work within a highly regulated environment, you absolutely foster a culture of innovation. But how do you balance that knowing that speed and security have to go hand in hand, but one may pull the other down in terms of the core value you're talking about, but particularly as you think about innovation and fostering that culture within your organization.

Kathy Hollinger: (19:37.942)

We talk a lot about speed and quality and safety need to coexist, that you can't think of them being divergent from one another, but that often your fastest path is the one that is done right the first time. That's having a quality mindset.

Patrick Ryan: (19:57)

That probably is a good bridge to AI. We can't have a conversation without talking about AI, but it seems like the same principles would apply that if you are clear on your guide rails, you've made right decisions around risk and governance upfront, then you empower people to use technology as best they can to do the job. Do you have operating principles or ways that you've found you effectively were able to deploy technology and AI in your workforce?

Kathy Hollinger: (20:26)

We do, we have an AI roadmap that lays out across the company what we are working to achieve and measures our outcomes. Like any new technology introduction, we have learned along the way. Some things that we thought would be better with AI assist actually didn't materially improve. And so we needed to be agile and pivot and decide to focus our resources elsewhere. But in other places we had...

transformative outcomes that we perhaps didn't anticipate. We are still on that learning journey and I think we will continue to be with AI just as every technology evolves over time. But what I will say is that we are focused on ensuring that our employees are utilizing the technology, not the technology replacing our employees. And I mentioned that earlier, but I think it's a key guiding principle that you asked about.

that helps us to have our employees embracing the technology, pulling it rather than us pushing it into the enterprise.

Patrick Ryan: (21:32)

Yeah, I love that. We have taken a similar approach at KPMG. It's intelligence powered by technology, not the other way around. But I like the way you phrased it, so I might borrow that going forward.

Kathy Hollinger: (21:42)

Yeah, that is a absolutely feedback we hear more today, even versus three months ago from employers around the region in terms of thinking about ways in which employees can embrace versus any sense of fear to embrace or fear to force to embrace. That's right. Kathy, I want to ask you about long term investment decisions. And when you think about making those

investment decisions. It's a very timely conversation. think that all companies are considering here in our region why they may choose a particular part of the country, where they may think about that. But how does that factor into your own decision making, whether it's Baltimore, whether it's Virginia, or whether it's outside of our region overall?

Kathy Hollinger: (22:35)

Well, we pick a place to operate that we feel is going to be good for our workforce. That's often put in the context of is it a business friendly environment? But it really, in my mind, is there affordable housing? Is there the transportation to get to work every day without spending hours in traffic? Is there a tax structure that allows our people to have the earnings that they

have paid to them, brought home and put to work in their family. And so those are the kinds of things that we look at and they're not only in the company's best interests, but they're for our employees' We also look at the source of talent in the region. Are there good schools and universities that are gonna produce talent and does that talent stay in that region or migrate elsewhere? And finally, we think about things like

Do we have, just even the natural resources we need, energy, water, in manufacturing in particular, we consume those things, but we also look

at ways to preserve those resources. So is it a place where sustainability is also top of mind? Those are just a few things that we think about, but really important to recognize that in most cases, these are not about what it is to be business friendly. This is what it is to be.

people friendly so that we can attract, retain, and motivate a workforce to come and do our important work every day.

Kathy Hollinger: (24:08)

That's right. I think we know that our region has so many of those assets and I think the region is working to consider how that quality of life, affordability, being able to move around, being able to live, work and play here in a region. We're working on that, right? I think the governments are working on it that we operate within, but

employers are really committed to making sure that we can preserve it.

Patrick Ryan: (24:38)

Yeah. And seeing more Northrop's commit long-term to other facilities, jobs is a big deal. are there, if we look forward in the future of the region, I mean, you've, you've seen things that have made Northrop feel comfortable investing in lots of different areas of the region. Are there other things that, that are out there that maybe others aren't seeing about the power of this region that's helped you make decisions around having facilities in Baltimore and Richmond and

in DC.

Kathy Hollinger: (25:09)

We have worked with the local governments on all of the issues and opportunities that I just outlined and have found in this region that the government partnerships that we have, whether it's in education and we often bring funding, we aren't coming empty handed looking for the government to do something. We are coming with resources, both financial and our talent, our people's time.

to commit to school systems to help them build the curriculum we need. That has been embraced with open arms in all areas of this region. The other thing that we have been very focused on is helping our employees acclimate to this region because we are a net importer within our company. We are bringing people and moving people into this region. And that too is important for families to be able to understand what community to settle in, where to...

to be located. And I think governments can play an important role in just marketing the region, as well as the underlying issues that I mentioned, keeping those top of mind and making sure that constituents see governments working toward objectives for transportation housing, because they look at those things when they choose to stay or come

here.

Kathy Hollinger: (26:29)

Kathy, you've served as a mentor to so many. mean, of course you are a champion for our organization. You chair other organizations. You bring so many along within your industry. But I just think about people you have touched throughout your career. What would you say is the most important quality, not necessarily for someone who is entering the workforce, but someone who is right at that tipping point?

of leading something consequential? What is the skill that is probably most needed in this time that we're in as we think about regional economic growth, national growth?

Kathy Hollinger: (27:09)

Two things come to mind. The first is authenticity, which is being able to communicate to others the vision that you have and do that very transparently. And be yourself because you can't be the leader that you admire in someone else. You are who you are. And bringing that in your full self to that leadership role is important. I'd say the second is resiliency.

only constant in today's environment is change. And a leader who can embrace that change, lean into it, and show a team the way forward is going to have a much stronger following than a leader who's shying away and waiting for change to be forced upon them.

Patrick Ryan: (27:58)

How do you do that? You do it so well and it seems like it's really balanced at a time where, especially your industry, geopolitical conflict certainly changes in decision making around the world. What advice would you have for your 22 year old self that was considering moving into this sector? How do you maintain that balance?

Kathy Hollinger: (28:20)

was given great advice early in my career to embrace risk or challenge, to run to the assignments that other people were running away from because they looked hard or they were new and you had to figure out novel ways to get the work done. And I would say the experience of doing that over and over and leading through change many, many times, maybe it's just the gray hair.

but it's really what then gets you comfortable doing it yet again and builds your confidence as a leader that you'll figure it out this time too. And that you can bring a team forward confidently knowing that there isn't anything you can't overcome if you bring the right resources to it. And that your best work is actually the best that...

is available. And I think oftentimes people want perfection. The

reality is you can't reach perfection. And once you did, you wouldn't be satisfied with that anyway. So it's really just getting up to the plate and taking the swing. And if you don't hit the ball the first time, you try and try again. And so that's what resiliency is really all about. It's not getting it right every time. It's having the courage once you

have had a miss to get back up there and take another swing.

Patrick Ryan: (29:40)
Love that.

Kathy Hollinger: (29:42)
Yeah, I think for and so many who do know you, Kathy, I mean, you do it with grace and confidence and steady. And I think the steady is what is so needed right now, as we are not in a position every day to make decisions that are too risky, knowing that a week from now we may be right back at the same point where we had to make a decision. So I really we all thank you for the leadership.

qualities that you exude. And I think that we are better for it as a region to have that kind of grace and steady as we navigate this next iteration of change before.

Patrick Ryan: (30:25)
Yeah. So let's maybe we have time for one more question. Yeah. Just thinking forward about the region. Northrop continues to expand footprint, employ more people, only become more important to this region and to the world, candidly. What does this region look like in five to ten years? Is it an expansion of where we're at now? Are there new dynamics with jobs and different industries that we're not thinking about?

Kathy Hollinger: (30:53)
I would like to see this region be a hub for entrepreneurs. We have great research universities in Maryland, DC and Virginia. And to see more of the talent that comes through those universities, stay and build businesses here and really incubate new technology advancements would be success for this region. And then I mentioned earlier on

The other end of the spectrum, I'd like to see more businesses recognize that outside the heart of our cities, there is tremendous opportunity for building manufacturing footprint here, great resources, very affordable environments. Yes, you have to travel a little bit outside of Baltimore. We built that plant many years ago and it's a great place to operate. as we expand, we're looking a little further out of the cities.

that Maryland and Virginia in particular have just tremendous resource to offer businesses who want to build manufacturing footprint here.

We're seeing pharmaceuticals in particular take this region up on what it has to offer. I'm hopeful over the next decade it'll be discovered by more industries and that we'll see more talent rush in.

Patrick Ryan: (32:14)

great. Well, Kathy, I agree with everything you said. So thank you, Kathy Warden, for being such an incredible inspiration to us. It makes my job easier seeing you so well balanced and level headed and bold at the same time continuing to make investments in this region. So we're following your lead in that regard. It's been a great discussion today. I look forward to the diversification of the region under your leadership for the next 10 years.

Kathy Hollinger: (32:38)

Well, thank you both. It's been a pleasure to serve alongside of you at the Greater Washington Partnership and to have talent like you in this region as well.

Patrick Ryan: (32:45)

Great. Kathy, it's been fun.

Kathy Hollinger: (32:45)

Thank you.

Patrick Ryan: (32:50)

Thanks for tuning in to Strategic Compass. We hope you'll join us next time as we continue our conversations with the greater Washington area CEOs shaping the future from Baltimore through Washington, DC to Richmond and nationally.

Kathy Hollinger: (33:07)

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