

# The Ethics Program and the Northrop Grumman “Legacy”

When Chairman and CEO Kent Kresa retired at the end of March, we at Electronic Systems, along with all of Northrop Grumman, entered a new era. His successor, Dr. Ron Sugar, presides over a very different Northrop Grumman than Mr. Kresa inherited 16 years ago.

More than a decade and a half of mergers and acquisitions later, we are a company of more than 120,000 employees assembled from dozens of aerospace and defense firms. Surprisingly, less than 15 percent of our current workforce ever worked for one of the “legacy” facilities that were part of the original Northrop Corporation. An even smaller percentage would have been here in 1987, which may have been the company’s most pivotal year.

Why was 1987 so important? Because that was the year the corporation pulled itself back from the brink of extinction, following a series of ethical violations that cost hundreds of individuals their jobs, resulted in millions of dollars in fines and lost revenues and seriously tarnished the company’s reputation. This was, and still is, serious business. It is also one of the reasons that Northrop Grumman takes ethical behavior so seriously today. We have seen what can go wrong when employees under pressure make the wrong choices.

“I need this done and I DON’T CARE WHAT IT TAKES,” can be very dangerous words.

## “When Things Went Wrong”

I encourage you to learn about these events in detail by watching “When Things Went Wrong,” a short video being distributed to all managers during the next several weeks. You will find it explains a great deal about why the company documents and audits its processes so thoroughly and why we repeat the ethics mantra so frequently. The tape shows that, when boundaries are not clear, it does not take much to lead an organization and its employees off course.

## Making Things Right

The ethical structure that Kent Kresa and his team put in place 16 years ago is designed to help set those boundaries clearly and provide support and guidance in situations that managers and employees may find confusing. The structure encourages each employee to challenge instructions that he or she feels are improper or that con-

flict with their “internal compass.” There is a network of Business Conduct Officers who can help employees and managers work their way through the “gray areas” that crop up in doing business. There is also a confidential “open line” where employees can air concerns that they feel cannot be resolved through these other channels.

## Keeping Things Right

The system works because at Northrop Grumman we DO care “what it takes” to get the job done, and we know our employees do as well. Northrop Grumman emerged from the very difficult times described in the tape to become a preeminent producer of outstanding defense products. It was a long journey involving courageous decisions and an ongoing commitment to ethical behavior by our corporation’s leaders. It is a journey that continues today, with each of us helping to keep us on the right path.

You could look at that commitment to ethics as Northrop Grumman’s—and Kent Kresa’s—most enduring legacy.

To learn more about “When Things Went Wrong,” visit the ES Ethics Web site at <http://www.es.northropgrumman.com/ethics>.