

TOOLS FOR MANAGING HIGH-RISK R&D TEAMS

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TOPICS TO COVER

- SAIC'S UNIQUE OWNERSHIP SYSTEM
- CULTURE AND ORGANIZATION
- TECHNICAL ENVIRONMENT
- SHARING REWARDS



SAIC'S UNIQUE OWNERSHIP SYSTEM

- EMPLOYEE OWNERSHIP IS OUR FOUNDING PHILOSOPHY



SAIC's Unique Ownership System

- Good environment for solving important technical problems
- Focus on serving the customer
- Priorities driven by those performing the work

“Those who contribute to the company should own it and ownership should be commensurate to a person’s contribution and performance as much as feasible.”

-Bob Beyster



SAIC: From Science to Solutions®

Advanced Technologies

Object-Oriented Software
Distributed, Interactive Simulation
Scientific Computation
Image Processing & Analysis
Neutron Activation, Radiation Detection & Inspection Systems
Advanced Sensor Technology
Signal Analysis
Underwater Instrumentation
Microcomposite Materials
Signal Compression and Transmission
Distributed Computing Environments
Information Protection
Molecular Biology
Recombinant DNA

Industry Expertise/Customized Solutions

Information Technology

Computer hardware/software systems integration, software development and reuse, outsourcing and facilities management, telecommunications and network systems, information protection, Year 2000 solutions

Health

Medical information systems, multi-hospital system integration, diagnostic imaging systems, accelerator-based treatment systems, cancer research, biomedical technology

National Security

Integrated global C3I systems, strategic and tactical systems, ballistic missile defense and space systems, maritime systems, modeling and simulation systems, logistics and readiness support, test and evaluation, training, range instrumentation, signal/imagery analysis, geographic information and mapping systems

Energy

Control and safety systems for power generation and distribution

Environment

Characterization, remediation, modeling, and compliance support

Transportation

Automated toll collection and vehicle identification, vehicle/aircraft tracking, intelligent transportation systems, rail and intermodal systems

High-Tech Products

OCR systems, explosive and contraband detection systems, specialized workstations, fiber optic communications systems, virtual office solutions for marketing and technical collaboration



SAIC Ownership System

- Not publicly traded
- Price established by Board of Directors
- Created internal market (Bull Inc.) to provide liquidity
 - quarterly stock trades (Jan., April, July, Oct.)
 - matches buyers and sellers

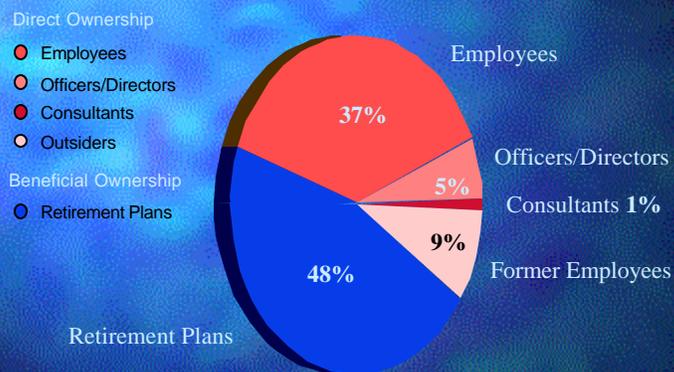


Stock Ownership Tools

Stock Bonuses	<ul style="list-style-type: none"> Vested Award Vesting Award (restricted) 	Performance Incentives
Stock Options (nonqualified)	<ul style="list-style-type: none"> Naked Options Matching Options Negotiated Options 	
Direct Stock Purchase	<ul style="list-style-type: none"> First Time Buyer Program (FTBP) Other Direct Purchase Employee Stock Purchase Plan (ESPP) 	Employee Investment
Retirement Plans	<ul style="list-style-type: none"> Employee Deferral to CODA/401(k) Plan Company Contribution to CODA/401(k) Plan Employee Stock Retirement Plan (ESRP) 	Company-Provided



Who Owns SAIC Stock?

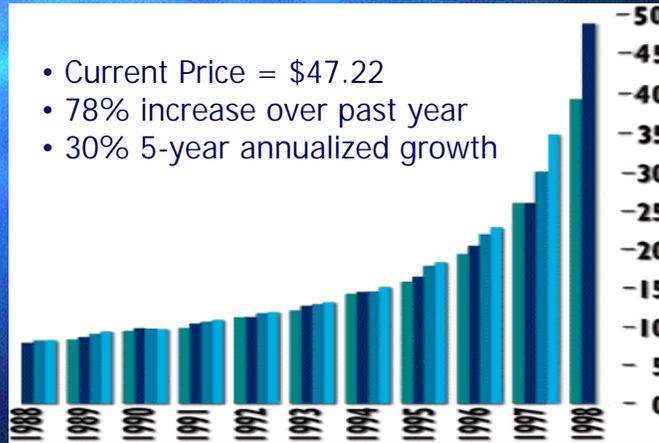


As of 4-99
60 million shares outstanding. Approx. 95% of employees are owners



Stock Price Performance

- Current Price = \$47.22
- 78% increase over past year
- 30% 5-year annualized growth



Culture and Organization

- Control of our destiny
- Employee-owned **because** it's fair
- Ownership as reward for contribution
- Freedom to pursue passions with few obstacles
- Decentralized management - autonomy
- Offices close to customer - long-term relationships
- Commitment to quality and ethics



Culture and Organization

- Ownership aligns diverse business units
 - Contributing value to the world
 - Growth and profitability are keys to success
- Employee ownership gives us a long-term perspective
- Participation in decision-making makes ownership real



Culture and Organization

- Treat Employee Like an Owner
 - Facilitate Employee Participation - Committees
 - Offer Non-hierarchical Organization, Informal Culture
 - Encourage new ideas, getting involved to solve problems
- Educate Employees to Act Like an Owners
 - Explain critical numbers that drive business success
 - Educate on Employee Ownership Opportunities
- Keep Employees Informed as Owners
 - Communicate business developments and policy changes



Technical Environment

- Hire In Mid-Career Staff
 - Experience
 - Tested Accomplishment
 - Recognized Expertise
- Forums for Technical Staff
 - Management
 - Environment
 - Topical
- Internal Competition for Excellence
 - Creative Tension
 - Best Talent To Do Job



Technical Environment

- Recognition of Individual Contributions
 - Financial
 - Important Status for Technical Staff
 - Access to Management at Highest Level
 - Internal Awards for Important and Innovative Work



Technical Environment

- Resources and Decision Making at Lowest Level in Organization
 - That's Where the Talent Is
 - That's Where the Creativity Is



Technical Environment

- Teaming Across Business Lines and Management Units to Get the Job Done
- Open to Outside Talent and Contributions
 - Other Companies
 - Government Labs
 - Universities



SHARING REWARDS

- Strong Stock Ownership Culture
 - Many Ways to Acquiring Stock
 - Managed for Profitability with the Responsibility Felt by Employees
 - Ownership Tied to Performance



Sharing Rewards

- Bonus and Compensation System That's Competitive and Predictable
- Employee Incentives to be Creative
 - Awards for Generating Intellectual Property
 - Stake in Revenue (Royalties/Profits) From Intellectual Property

