

Higginbotham Brings Experience, New Plans To Integral Systems

Jeffrey Hill July 15, 2008

[Satellite News – 07-15-08] John Higginbotham has been involved in the space industry for decades as an investor and now returns to the field with plans to serve as a hands-on CEO.

Higginbotham was named CEO of Integral Systems Inc. July 9, bringing an extensive background in the space industry. He founded private equity firm SpaceVest Capital (now RedShift Ventures), serves on the board of ProtoStar Ltd., served as a director of Analytical Graphics Inc., Novariant Inc. and Imaginova Inc., co-founded Intec (now AXASpace) and was a former chairman and director emeritus of the Space Foundation.

Higginbotham, will be Integral Systems' third CEO in two years, and his knowledge of the company comes from viewing it as a competitor of his portfolio companies. Integral also does business with some of Higginbotham's companies. In April, the company won a contract to provide a second ground control system for ProtoStar Ltd.

Higginbotham spoke with Satellite News Editor Jeffrey Hill about his strategies going forward with Integral.

Satellite News: What changes do you have planned for Integral?

Higginbotham: We're not going to do anything rash. We're going to be very deliberate. We have some very clear and decisive growth directions. I'm not prepared to go into too much detail. This is, for me, day four, but I will be making some recommendations fairly quickly over the next few weeks to the board and the rest of the management staff.

Satellite News: What are some of the basic elements of your growth strategy for Integral?

Higginbotham: It's a three-prong strategy. First of all, the company enjoys a very good position in the government and commercial marketplace with having a good track record [with the customer]. We're clearly going to build on that core strength. We're going to expand throughout the government marketplace to the Air Force and a couple of other services. We're going to expand our services throughout the Department Of Defense, [the Department of Homeland Security], the civil space program. We want to expand their customer base with some of their core capability programs that they're already delivering successfully. Step two is that with that core customer base we will add some new capabilities to enhance the services of products. The third component of this plan is that we want to enter new, adjacent markets like the industrial community with the same kind of presence we have in the government and commercial markets. This is the next level of, shall we say, disruptive growth for the company.

Satellite News: How do you transition from a venture capitalist to a CEO?

Higginbotham: I actually started out in an operational role at Hewlett-Packard and then I got away from it — all those years as fiduciary first, starting an insurance operation for the industry and then later, a private equity group. During the course of my tenure as a venture capitalist there were four or five situations where I went in as an interim CEO or interim executive chair, either for growth purposes or restructuring purposes. So I did have some operational experience with some portfolio company situation during that tenure. I then retired as general managing partner of what was then called SpaceVest Capital in late 2005, early 2006. Since then, I've done some consulting and stayed on a few boards. But I was taking a little bit of a break — 25 years of doing anything is long enough. It was when the Integral board decided they were ready to go out and seek permanent leadership that I got approached.

Satellite News: Did you get any offers from other companies? If so, why did you choose Integral?

Higginbotham: I had a lot of offers to do a lot of different things during my two-and-a-half-year retirement. There were a number of alternatives, including staying semi-retired. What was intriguing about Integral was that there was a fit between the attributes of the company and some of my conclusions and observations on where this industry is going and where it needs to go. There was a lot of discussion with the board and senior management leading to this decision of me joining Integral. We had the opportunity to explore — on a fairly comprehensive level — what the strategic vision could be for this company. I came into this position with pretty clear opinions on where the market is going, where Integral is in the market and what the company might aspire to do. Once I was inside, we had to take the opportunity to explore our assumptions and test new ideas and approaches so we could tweak it to something the company can execute over short term, near term and long term to ensure the continued high-quality operations of delivering solutions to our customer and maintaining shareholder value in the process.

The timing happened to be very good in terms of my desire to re-engaging in the industry. On a personal level, to have made this kind of decision at this stage in my life was not a trivial or frivolous decision.

Satellite News: What conclusions did you reach with Integral's management?

Higginbotham: That there are very few mature or maturing organizations that have been able to maintain a robust capability of both the government and the commercial marketplace. I happen to be a big fan of dual-use, integrated commercial and defense operations, and Integral has a 27-year history of building a track record of successfully supplying both government and commercial customers in this industry. I believe that this is going to be a critical set of skills going forward in this industry as we move to new levels of capability, challenge and competition. If we want to be successful we need to get more productivity for less money in order to remain competitive. Those companies that have been able to maintain the lean and mean, cutting-edge attributes of a commercial operation, and at the same time have the acumen and skills to handle major government programs, I think are going to be very well positioned to provide a higher value proposition than others who haven't taken the time to work through the stresses of those challenges.