

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES

**Boeing: What to do when your
employees think you are a monkey?**

By:

Nghiem Thuy Duong

Suzanna Nikolic

Adrián Vázquez Anido

First Edition
Student Case Papers

2020

Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

Editor

Mats Urde
Associate Professor
mats.urde@fek.lu.se

Head of master's course Corporate Brand Management (BUSN35), part of the master's program International Marketing and Brand Management.
Lund School of Economics and Management

Boeing: What to do when your employees think you are a monkey?

WRITTEN CASE

The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

NGHIEM THUY DUONG

SUZANNA NIKOLIC

ADRIÁN VÁZQUEZ ANIDO

An inconsistent corporate culture

David Calhoun is stepping in as CEO for Boeing after a tough period for the company caused by turmoil of an employee crisis in December 2019. Boeing has failed in the 737 MAX training program, which resulted in 2 airplane crashes and over 340 deaths within the span of five months. This caused the aircraft to be grounded by most airlines and regulatory bodies, and Boeing was put under investigation. In order to emphasize the value of transparency, Boeing decided to publish internal comments made by employees expressing their thoughts and mistrust in relation to the troubled MAX and the senior members leading the project. These conversations reflect employees' concerns on the lack of training provided for pilots and a misalignment between their own values and their attitudes, following the management directives of sales-focus and cost reduction. This situation reflects an incoherent corporate culture, which has led to dramatic consequences for passengers, and hit Boeing's reputation.

Background and history

Boeing's history began in 1916, when William E. Boeing founded the Pacific Aero Products Co. in Seattle, which would be renamed Boeing Airplane Co. a year later. Although in 1917 they started a relationship with the military that still lasts nowadays, the focus at the beginning was rather practical; Boeing's first commercial aircraft B-1 carried mail between Seattle and Canada. Throughout the 1920s, Boeing developed multiple airplane models, both for transport and fight, and their business continued developing during the war time. During the 1950s, Boeing focused on developing its commercial fleet, and developed their 'comfortable, reliable and safe' 707. After the launch of this aircraft, travel by air exceeded travel by rail and sea for the first time.

The company inspires the people and moments within Boeing to live by the founders' saying, "build something better." Boeing is the largest aerospace manufacturer globally, with more than 10,000 Boeing-built commercial airplanes in service, amounting to almost half the world fleet. Boeing's corporate structure is organized into four divisions: Boeing Commercial Airplanes (BCA), Boeing Defense,

Space & Security (BDS), Engineering, Operations & Technology and Boeing Capital (**Exhibit 1**).

Boeing counts with a corporate brand, represented by their logo, formed by Boeing's logotype and company name in Stratotype letters (**Exhibit 2**), used in their distinctive blue. The company's products and services are commercialized under functional names whose only function is to identify the product or service based on generation or type (e.g. 737 MAX, 777F), with the exception of Boeing Business Jets, a product brand used for their Business Jets, communicated with a different logo (**Exhibit 3**). All units share the corporate core values of "Integrity, quality, safety, diversity & inclusion, trust & respect, corporate citizenship, and stakeholder success".

In 2013, Nippon Airways made an emergency landing in western Japan, Boeing 787 aircraft fleets ended up being grounded. However, Boeing had already experienced several problems in the past with the Boeing 787. In 2019, Boeing's global reputation, commercial business, and financial rating suffered after the 737 MAX was grounded worldwide following two fatal crashes in late 2018 and early 2019. These events led to employees questioning Boeing's strategy, governance, and the company's core values.

The incident

Boeing is dealing with a fast-paced, growing crisis which influences the internal reputation, and it reflects upon the external reputation as Boeing has shown attitudes and behaviors that do not align with the core values. Boeing has been facing disturbing comments from employees who talked about the management deceiving regulators and lightly considered the potential flaws in the 737 Max as it was under development. The training was not taken seriously, creating concerns amongst employees which were overlooked by the management and executive team. The MAX crisis has raised questions about Boeing's internal culture, whether the company took shortcuts and whether federal regulators were too personally invested with the company.

Boeing has failed in the MAX 737 programme due to faults in the plane design and blamed for two fatal aircraft accidents and over 340 deaths. In order to overcome this negative reputational hole that Boeing fell into, the Board is striving to be transparent, in fact, the action taken was publishing internal comments made by employees showing their disconnection and lack of trust with the level of the programme itself.

Now, Boeing has a new crisis that is emerging from both internal and external setting, showing the inconsistency of attitudes and procedures that should go hand in hand with the ethics and compliance program, meant to focus on integrity, respect, accountability and inclusion.

Timeline of events

During the period of 2013 and 2018 several instant messages and emails were exchanged among Boeing employees, criticizing the management, expressing their lack of trust and respect on the leaders and the organization -referred to as clowns and monkeys- and showing their misalignment with the corporate values and mission (**Exhibit 4**). In 2016, Boeing 737 Max 8 was introduced to the new fleet and started operating for commercial use. Instant messages between two high-level Boeing employees in 2016 indicated that there was awareness of major problems with an automated feature on the 737 Max jet.

In 2017, internal FAA (Federal Aviation Administration) communications and interviews to employees were conducted. After this investigation, it was concluded that the information contradicting the FAA's assertions was true.

On October 29th, 2018, 737 Max crashed into the sea after taking off from Jakarta and all 189 passengers on board died. This was part of the Lion Air fleet and the pilots had less than 11,000 hours of flight experience combined. Lion Air had already experienced some issues in the past. After the fatal accident, Lion Air Chief Executive Edward Sirait said the plane had an unspecified "technical issue" on a previous flight, but Boeing engineers said that this had been resolved. Because this was the first instance, there was no plan to ground the fleet. On February 23, 2019 Boeing suffered another terrible plane crash of a cargo plane 'Atlas Air 767' crashed in Texas and three people died.

On March 10th, 2019, only five months after the Lion Air accident, another 737 Max plane crashed shortly after leaving Ethiopia's capital, killing all 157 people on board. Up to this point 346 people had already suffered death due to the negligence of errors in the software systems of the aircraft. Investigators say that crashes were linked to errors with the MCAS anti-stall system, a key safety feature pilots were not aware of due to the lack of training. This series of events affected the Stock price of the company, which dropped by 20%.

On March 13, 2019 the FAA decided to ground the 737 MAX from operating within the passenger service until July 2020 and by March 18, 2019 all regulators worldwide banned the airliner.

During December 2019, Boeing disclosed the internal messages to the FAA in the interests of transparency and ethical compliance. Boeing announced plans to suspend production in January 2020 of the 737 Max airplanes until regulators determine when they are eligible to passenger service. On December 23, 2019 the CEO Dennis A. Muilenburg was asked to step down, after serving as CEO since 2015 due to concerns in trust. Therefore, new CEO, Calhoun became the one responsible for the situational crisis.

It is December 23rd, David Calhoun has been announced to be the new CEO starting in January 13rd, and Greg Smith is assuming the role during the transition period. The aim of this change is to restore the confidence in the company and repair relationships with the key stakeholders, placing a strong focus on full transparency. The interim CEO and the Board of Directors have set a meeting to decide on the next moves before David Calhoun assumes his new role. **Assuming the role of a member of the Board**, how would you answer the following question?

How can Boeing face the current crisis? How can the corporate brand reputation internally but also externally be regained?

Exhibit 1 Boeing Corporate Structure



Exhibit 2 Boeing Logo



Exhibit 3 Boeing Business Jets Logo



Exhibit 4 Boeing internal messages exchanged between employees

,This airplane is designed by clowns who in turn are supervised by monkeys‘

,Would you put your family on a Max simulator trained aircraft? I wouldn't‘

,I'll be shocked if the FAA passes this turd‘

,I still haven't been forgiven by god for the covering up I did last years‘

,I don't trust many people in Boeing‘

,I don't know how to fix these things...it's systemic. It's culture. It's the fact that we have a senior leadership team that understand very little about the business and yet are driving us to certain objectives‘