

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

MANAGEMENT DECISIONS

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.

Decisions and outcomes

When Boeing aired their dirty laundry

On December 2019, Boeing proactively provided the employees' internal emails to the FAA (the Federal Aviation Administration) and the United State Congress for the legal review of 737 MAX Program. This procedure started after the two tragedies occurred due to what seemed technical issues in this airplane. Boeing also handed in the copies of these conversations to the Senate Committee on Commerce, Science, and Technology and the House Committee on Transportation and Infrastructure as well as the public.

On January 9th, Boeing released an official statement about the controversy of their employees' communications. In the statement, the company explained the publicity of the internal emails as a commitment to be transparent and for the safety overseeing of the industry. Besides, it clarified the role of Boeing and the FAA in the simulator qualification process and affirmed that the MAX simulator worked efficiently, which were the main topics criticized. The company referred to their employees' private conversations as inappropriate and inconsistent with the company's culture and values. At the end of the statement, Boeing apologized to the public and stakeholders while ensuring that they had already taken initiatives to improve safety in the Boeing 737 MAX and actions upon these employees.

The new leadership

On December 2019, Boeing announced a change in the management team. Dennis A. Muilenburg, who had been the Chief Executive Officer for four years, resigned from his position. The Chairman at that moment, David L. Calhoun, took over this position from January 13th, 2020. With the new CEO, the company showed dedication to renew their transparency commitment. In their official press release, the company stated:

"The Board of Directors decided that a change in leadership was necessary to restore confidence in the Company moving forward as it works to repair relationships with regulators, customers, and all other stakeholders."

A statement by the new CEO was issued on January 13th providing his assurance:

"We are focused on returning the 737 MAX to service safely and restoring the long-standing trust that the Boeing brand represents with the flying public. We are committed to transparency and excellence in everything we do. Safety will underwrite every decision, every action and every step we take as we move forward. Fortunately, the strength of our overall Boeing portfolio of businesses provides the financial liquidity to follow a thorough and disciplined recovery process."

Besides, Calhoun reinforced the priorities for 2020 through email communications to all Boeing's employees. These priorities include the return plan of 737 Max by rebuilding trust, focusing on the company values and excellent operations, maintaining production health and investing in Boeing's future.

Business activities

Boeing 737 MAX

After the publication of controversial conversations about the 737 MAX program, Boeing released two announcements about the return of this aircraft. To start with, the company recommended the simulator training as an addition to the computer-based training applied to all MAX pilots, against the main selling point of 737 MAX: no need for training. This recommendation was considered as Boeing's efforts to enhance the safety and the changes together with test results. Later on, a new statement was published estimating the ungrounding of 737 MAX during the middle of 2020 to support customers and suppliers in their operations' schedule.

New aircraft

In parallel with the return of 737 MAX, Boeing announced on January 25th the success of the new 777X first flight:

"The 777X flew beautifully, and today's testing was very productive," said Capt. Van Chaney, 777/777X chief pilot for Boeing Test & Evaluation. "Thank you to all the teams who made today possible. I can't wait to go fly your airplane again."

This Boeing aircraft is expected to be the new market-leader in Boeing's widebody family by the latest innovations and lower fuel use as well as the operating cost.

First annual financial loss in 23 years

At the end of January, Boeing also released their fourth-quarter financial results. The company admitted in this report the loss of revenue in both the fourth quarter and the full year of 2019 due to the issue of 737 MAX. This is the first time in 23 years; Boeing reported an annual loss, which should be a warning sign for both the company and stakeholders. Moreover, the United States' gross domestic product in the first quarter of 2020 is predicted to lose the half percentage point because of Boeing deficiencies.

Internal culture initiatives

In the press release published on January 9th, Boeing acknowledged an organizational culture problem. The language used and the feelings expressed by employees are not consistent with the values Boeing stand for. Therefore, it was announced that *appropriate action* would be taken in response, including disciplinary and other personnel actions.

Reinforcement of Boeing's core values

Boeing presented on their website a detailed plan which is believed to gain trust and improve transparency to the public and stakeholders. In this plan, the company pays attention to its three core values: safety, quality and integrity. In order to leverage them, Boeing listed out the actions that they need to improve, which are company actions related to safety and quality, software and training updates, fleet support, global outreach and airplane production.

Stakeholders and Public Reactions

After the public release of employees' conversation, Boeing has faced severe criticism from the public about the safety and production of the 737 MAX program. Due to the two fatal crashes, these emails raised critical concerns among passengers about development and qualification of Boeing's plane. Additionally, the relationship between Boeing and FAA is also questioned by the public based on the content of some of the conversations.

Public opinion

Between early January and mid-February, Boeing's Facebook and Twitter accounts have received negative comments in almost every post (**Exhibit 1**). These comments show a huge disappointment and potential loss of customers who do not trust the company and reflect how damaged Boeing's reputation is.

Lawmakers and governments

Boeing also faced criticism from the lawmakers. In the press release by the House Committee on Transportation and Infrastructure, Peter Defazio expressed his disappointment:

"These newly-released emails are incredibly damning. They paint a deeply disturbing picture of the lengths Boeing was apparently willing to go to in order to evade scrutiny from regulators, flight crews, and the flying public, even as its own employees were sounding alarms internally. I can only imagine how painful it must be for the families of the 346 victims to read these new documents that detail some of the earliest and most fundamental errors in the decisions that went into the fatally flawed aircraft."

In terms of 737 MAX investigation and return plan, the inspection pointed out that 346 people died because of the failed system and criticized the irresponsibility of the certification process. Commenting on the 737 MAX problem, U.S. President Trump described Boeing as a "Very disappointing company". He also said:

"This is one of the greatest companies of the world, let's say, as of a year ago and all of a sudden things happened."

Despite all this criticism, Boeing has not really implemented a communication strategy to react to all their stakeholders' comments on social media.

Exhibit 1 Facebook and Twitter comments against Boeing

The Boeing Company
January 10 at 12:20 AM

To support the families and communities impacted by the devastating bushfires, we're donating \$1M to the Australian Red Cross and will make employee contributions. Our thoughts are with those affected, first responders and firefighters.
Read more: <http://bit.ly/2QG2Xao>

832 167 Comments 95

Like Comment Share

View previous comments

Andrew Moleff I used to look at your company as one of the companies I trusted the most. I have flown all over the world, and when I got into a Boeing aircraft I knew it was going to be a safe flight. You have now lost all of my faith in your company as a company that can be trusted, and who manufactures great quality and safe equipment. Deciding whether or not to fly, on a Boeing aircraft, especially overseas, will now be part of my decision-making process. How sad. These people should be fired, prosecuted, and you have a lot to do to earn back any trust.
<https://www.ksl.com/.../boeing-papers-show-employees-slid...>

KSL.COM
Boeing papers show employees slid 737 Max problems past FAA

Like Reply 3w

Erlend Flaten Off topic. Sorry for that. But what kind of corporat BS is this? Your folks are worried and talking about it. It should be a part of good culture to talk about bad air planes. Your managers tries to hide it and now you discredit your employees who tries to speak out. You have top managers who probably think more about their money and less about their reputation has managers in a company building airplanes. Shame on you.
<https://boeing.mediaroom.com/news-releases-statements...>

BOEING MEDIAROOM.COM
MediaRoom - News Releases/Statements

Like Reply 3w

The Boeing Company @Boeing

"I'm honored to lead the talented people of Boeing as we face our challenges. Working together, we will strengthen our safety culture, improve transparency and rebuild trust." -- Dave Calhoun, Boeing President & CEO

Read Calhoun's message to our team: bit.ly/35KZcVL

Update
Boeing President & CEO letter to employees

3:48 PM - Jan 13, 2020 - Xhorot

68 Retweets 265 Likes

The Boeing Company @Boeing - Jan 13
Replying to @Boeing
And to read our news release regarding Calhoun assuming the role of president and CEO, go here: boeing.mediaroom.com/2020-01-13-Cal...

21 13 10

iamneh @pooorstgump9 - Jan 13
Replying to @Boeing
This airplane is designed by clowns, who in turn are supervised by monkeys

1 5

1 more reply

picflight @picflight - Jan 14
Replying to @Boeing
@Boeing is finished!
The 737 that made the company will now doom it, max style!
Jack, are you listening? No one will fly the MAX, scrap it now and redesign a new model ground up with safety in mind NOT profit otherwise you will lead Boeing to the grave.

1 5

1 more reply

FlightET302Sam'sDad @Flight302sam - Jan 13
Replying to @Boeing
And in this spirit of openness and transparency will you allow employees and ex-employees to speak openly about the management culture and technical failings during the #737max development? Or continue to threaten them?

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