
MANAGERISM

BOEING – Bad Managers And GE-Style Culture (Part 1)

How a sick corporate culture grounded Boeing

Manfred Hoefle - February 2020

The fiasco of the Boeing 737 MAX has been commented upon widely. New details have emerged daily, like mosaic pieces, and the real picture is nothing like Boeing's cultivated image of a gold-standard corporation.

This thinkpiece shines a light on Boeing¹, a mainstay of the US economy, as seen by insiders and informed observers. A selection from 700 comments and an extract from The New York Times, *Boeing to Temporarily Shut Down 737 MAX Production*, describe in detail the root cause of the problem.

These **comments** are grouped into the four attributes and causes most often cited. They elaborate the transformation of Boeing from a highly reputed engineering firm with a family-enterprise ethos into a managerist-style corporation. The cultural change at Boeing began two decades ago, when it merged with competitor McDonnell Douglas. The outcome for Boeing, now clearly visible, is the total failure of its corporate culture.

Some of the comments have been shortened.

1. NOT TRUSTWORTHY

“The current Boeing Executive and Board leadership are pointing this once great firm towards a humbling denouement. The firm cannot get healthy again until they can properly acknowledge and apologize for the mistakes (and attendant willful executive disregard) that were critical to the hundreds of deaths this year. Boeing's reputation and that of their key enablers, the FAA, seem unlikely to ever regain their sterling standing.”

“Boeing was incompetent, corruptly rushed through the design, lied about the problems after one crash, covered up, delayed, another plane crashed, and were directly responsible for two planes of people dying. I am surprised they are making any planes. They are a toxic company.”

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“Boeing has not been forthcoming or honest about the design defects in this plane and what led to them. Boeing should have owned up to their mistakes from the start, but instead pretended everything was fine, and thereby undermined all their credibility. Who knows what else may be hidden here? As a frequent flier with millions of miles logged during my career, I won't get on one of these planes until they have a three year accident-free history. There are plenty of other options.”
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“The company’s last three CEOs have managed to comprehensively trash what was, arguably, the greatest corporate reputation in the history of business. They have sown the wind and they are now reaping the whirlwind. Boeing will never again be what it once was. It’s really too bad for all those great engineers and designers and workers who were betrayed by the pure greed and stupid short-term thinking of top management. Boeing will never again be what it once was. Poor old Bill Boeing must be turning pinwheels in his grave.”
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2. DRIVEN BY SHAREHOLDER VALUE

"When did American corporations start putting short term profits ahead of long term innovation, creativity, and leadership?" Which American corporations currently put long-term innovation, creativity and leadership ahead of short term profits? Are there more than 5 currently?"
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“And the concept of "Shareholder Value" that took root in the leading business schools in the same period. Implication of that is that the other stakeholders (employees, customers, wider society) were seen as superfluous and/or could be bought off with superficial PR efforts. Milton Friedman's legacy.
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"By upgrading "on the cheap" (maybe because spending more to develop a new aircraft would reduce shareholder profits?)" From GE to Boeing all our industries have been destroyed with that same mentality of short term profits that drive senior management compensation. This is what WS preaches and executives move around frequently enough not to care about long term consequences. This is how we are destroying our country.”
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“It was just a while back Boeing appeared unstoppable juggernaut having delivered more aircraft than its rival Airbus, with revenue of \$ 100 bn. Evidently Boeing was losing its ability to make safe air planes. The company is exact example of how thing can go horribly wrong by following today’s version of capitalism. It’s no longer capable of delivering products that work. The root cause is the generation of high and persistent profits, to the exclusion of production. “We have let financiers take over our corporations. Merger of Boeing and McDonnell Douglas left America with a monopoly in civil aircraft market. After the merger its financiers, not technical team that called the shots. These are not the natural, inevitable results of capitalism. Boeing and GE were once great companies, working in capitalist open markets. L'affaire Boeing Max is a perfect example of things going wrong if you take restraints off capital and get rid of anti-monopoly rules.”
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3. A FAILURE OF MANAGERISM

"When did American corporations start putting short term profits ahead of long term innovation, creativity, and leadership?" Saint Reagan started the process by allowing corporations to compensate CEOs with stock options. Since then short term gain is helping CEOs get rich, while hurting the companies they run."

"Once again this is a great example of the consequences of "cutting corners". I still don't understand why huge corporations take these risks which historically have proven to back fire and cost a ton in financial capital and reputation losses. GM, BP, Volkswagen and now Boeing just to name a few, it NEVER works out because the truth always prevails in the end. Boeing was among the elite of elites in the world among corporations and it decided to risk decades of stellar reputation in order to rush a product to beat Airbus. In the end it will take them a long time to do the exact same thing they tried to avoid in the first place.

"Taking shortcuts to buy short term gains almost universally comes back to bite you in the rear end. Muilenburg's short term approach to making decisions to address the next earnings call rather than looking at the long term health of the company and the people that fly on Boeing's aircraft show how unhealthy this commercial approach is. It is time that corporate America realize that maximizing profits at the expense of employees, contractors, customers and investors is not a sustainable model."

"Many comments rightly draw attention to the "bad decisions" that led to the fatal flaws in this aircraft's production. I read in the New Yorker recently about how the head of Boeing was rewarded with \$13 million. Until executives start being jailed instead of richly paid for the devastation they cause it won't stop. Corporations are not people, but they are run by people and they are destroying our planet and many of the people on it."

"As I understand the software was outsourced to a company siloed away from other engineers working on the sensors that the software relied upon. I agree with you completely. I fly, have written countless lines of code and designed custom instrumentation for a long time. When I read about the manner in which MCAS was originally intended to work with one AOT sensor I could not believe it."

"Boeing used to be a great company, but that all has changed. Whether it is cheaper suppliers, production in union free states with employees that have not the long term understanding of how to build these planes, or the use of an older plane "pasted on" with so-called improvements. Living in Washington, I have watched its demise. A couple years ago Boeing threatened Washington state of leaving if it did not get tax breaks. The legislature, which took years trying to solve education funding, took only one day special session to give Boeing everything it wanted. Shortly after the session Boeing moved a major group of engineers out of state. Boeing CEO cares little about the "little people" - its employees, suppliers or yes, even passengers in its planes. This all started when the CEO wanted to live in Chicago, no longer it's home state of Washington. He moved the entire upper management function to Chicago away from its production lines."

4. EVADING REGULATION

“Actually, it’s what happens when government abdicates its responsibilities and allows the companies to essentially self-regulate.”

“ 'Buyer Beware' & 'There's One Born Every Minute' are the mottoes that made America great. We have been deteriorating into 'Gotcha Capitalism' actually since the 1890s, (look up railroads & how they acquired public lands in the West, or how the public interest fared against large extraction companies like mining & oil drilling, timber & ranching...), but certainly & relentlessly since the end of WWII. Planned obsolescence, Madison Avenue, for-profit media, & laws governing fields like tech & telecom monopoly, investment bundling & resale, consumer credit, fees on banking 'services', high speed stock trading, investment tax rates, offshore banking, & on & on, not to mention campaign finances have all been written (or repealed) by wealthy corporate donors to our hard working 'elected' politicians in both parties.”

SUMMA SUMMARUM: A SICK CORPORATE CULTURE

“According to old-time Boeing employees, the company's long-time safety culture was destroyed when it merged with McDonell-Douglas. Now all that matters is profit at any human cost. Trump's FAA enabled the production and delivery of aircraft known to be dangerous. Many Seattle-area Boeing workers are facing job losses in the new year. It's sad to see a formerly good company go down the toilet.”

“Engineering is a profession and companies that make machines and hardware should be run by engineers. Hospitals should be run by doctors and nurses. Universities should be run by teachers.”

“So, “It’s a blow to the collective psyche” says a financial analyst. And what effect has it had on the victims and their families? The Max project has been a catalog of errors from the very outset. From the use of an older design, software updates that were not tested properly, gross misconduct over corporate governance, massive regulatory shortfalls, woefully inadequate user training, unrealistic deadlines, failure to ground the plane after repeated warnings from pilots. The list goes on and on. The truth will finally come out at some point and if criminal charges are appropriate they should be pursued to the maximum. I don’t believe the US has a corporate manslaughter charge but if the management of Boeing are found to be wilfully negligent that should be considered by means of international prosecutions. Every day you and I put our trust in the things we buy, the food we eat, the methods by which we travel. We rely on proper oversight from manufacturers and governments to keep us safe. From a child’s car seat to a seat on the latest passenger plane. Boeing and the regulators have broken that trust and the world needs to know the whole truth and for appropriate measures to be put in place to prevent further tragedies.”

“And we wonder why manufacturing continues to decline? The risks of building machines, especially those employing sophisticated technology in an economy where speed of delivery is so highly valued. The interface between the technology developers and mechanical engineers and actual operations people and users has been fraught with challenges where misunderstanding of

application of technology has resulted in waste of tens of billions of dollars. Health care innovations and medical information systems have been impacted by the poor fit of technology to users, just as this example is but one of the implications for flaws in application has not just financial, but real human costs.”

“The move of the Board from Seattle to Chicago struck me as bizarre, and an obvious mistake. Just what were they thinking??? Is the corporate office space that much cheaper in the Windy City to make a difference? If so there's a MUCH bigger problem than has been revealed. Much more egregious is the overt separation of the Elites from the proximity of the workers -- an inevitable gulf of cultural uniformity emerges. Thus a textbook model for how to alienate workers (and become alienated from them) has been put in play. NO corporation is "too big to fail." History is riddled with such carcasses. Boeing hasn't been celestially blessed as being indestructible; corrosion from within can, and unless addressed in a timely manner, will eventually lead to the entity's demise. Given the vast number of subsidiaries dependent upon the massive economic machine that is Boeing, were this obviously fallible corporation collapse, it would be a major tragedy for many, many workers, and an economic catastrophe with widespread repercussions.”

CONCLUSION

These opinions indicate the size of the problem. For a long time, the relevant facts were ignored or denied — only recently have Boeing managers slowly and ambivalently admitted the truth. The fiasco of Boeing is a human catastrophe with 346 deaths. There is uncertainty and loss of earnings for 130,000 employees, serious financial harm to 8,000 suppliers and to many customer airlines worldwide – and it is a scandalous imposition on a country which is trying to regain its greatness.

The fiasco at Boeing was caused by unethical managers.

Manfred Hoefle, February 2020

*Preview: The upcoming Thinkpiece Boeing Part 2 will name the **managerists** who wrecked Boeing.*

Notes:

(1) The ripple-effect of Boeing — indirect employment in the US and abroad — is around one million jobs. Boeing has long been the biggest exporter of US domestic value-added.