
QZ

Peter Green

September 28, 2024

When some 33,000 Boeing machinists walked off the job this month, it was just the latest in a string of bad news to hit one of America's largest manufacturing companies and the producer of almost half of the world's passenger aircraft. The twin 2018 and 2019 crashes of Boeing 737 Max jets, and the door panel that blew out of an Alaska Airlines 737 in January, keep adding to the bad news for a company whose share price is down 60% over the past five years.

After this year's door incident, federal safety regulators cut Boeing's allowed production to 38 planes a month, less than half its capacity — a big blow to an order book of 6,165 planes, including 4,744 737s. Boeing's board ousted CEO David Calhoun and hired an outsider, Kelly Ortberg, an engineer by training and a veteran of other aerospace companies, to turn Boeing around. One of his first major moves was to fire Ted Colbert, the head of Boeing's large defense and space business. That unit is not only losing money on defense contracts right now (\$762 million in the first half of this year and about the same a year earlier), it also built the leaky tin can that has left two NASA astronauts, Sunita Williams and Butch Wilmore, trapped on the International Space Station until next year.

How will Ortberg turn Boeing around? Weekend Brief spoke with management and aviation experts and asked them what they'd whisper in Ortberg's ear.

There's universal agreement that Boeing's problems are rooted in a culture that had come to value financial engineering over aerospace engineering — and that Ortberg's key task is to rebuild Boeing as a company that is led by its engineers and puts quality, innovation, and safety first.

Boeing's problems have five root causes, said Bill George, who once ran the avionics division at Honeywell, supplying control systems to Boeing, and who now teaches at Harvard Business School. The five, he says are the five successive Boeing CEOs in the 21st century who, George argues, turned the company from an engineer-led firm focused on innovation, quality, and safety into the corner-cutting, quarterly earnings-driven behemoth that hasn't designed a new airframe in 60 years.

"The problems at Boeing stem from Boeing's culture," said David Michaeli, an attorney with Hogan Lovell who's been representing aviation industry clients for more than two decades.

"The cultural issue was a shift from quality and innovation to cost cutting," said Usha Haley, a professor at Wichita State University's business school and a longtime Boeing watcher. The problem, she said, is Boeing's outsourcing, a move that started more than 20 years ago when Boeing spun off Wichita-based Spirit AeroSystems, which builds fuselage parts. "When you outsource manufacturing, y y y

Observers said Boeing has already taken the first steps to shifting Boeing's focus back to building the best airplanes. The company has agreed to repurchase Spirit, the fuselage maker, and Ortberg has pledged to move Boeing's headquarters back to Seattle, which it left in 2001 for Chicago. In 2021, executive offices moved to Arlington, Virginia, outside Washington.

Argote said that moving the headquarters back to Seattle, where Boeing has its largest assembly plant, "sends a signal about production being very important and puts [Ortberg] in a place where he can learn more and pick up on things that are happening on the factory floor."

concerned that automation may take away many jobs, and concerned that unless corporate leadership focuses on safety and quality control, Boeing will lose.

Michaeli, the attorney, says his clients, who include airlines, are frustrated with Boeing.
