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The long list of Boeing's woes seems to have reached its pinnacle in late 2003 with the scandal surrounding the Pentagon deal that alleged inappropriate behavior and the loss of documents by Boeing officials. After his seven-year reign at the head of the organization, December 2003 saw the eventual resignation of Phil Condit. Many breathed a sigh of relief at the news. The problems at Boeing were reportedly endless. From a stock price that had decreased by 6.5 percent while the company was under his leadership to increasing competitive pressures, the future for Boeing was in doubt and changes were needed.

For many years Boeing graced American corporate news for their prowess as the leading manufacturer of aircraft. However, in 1994 Airbus their main rival booked more orders. This shocked the management executives and began a series of changes that were implemented to overcome the bureaucratic structure, outdated technological systems, and unnecessary processes in a company that had reportedly changed little since World War II.

THE BEGINNING OF CHANGE AT BOEING

In 1997 market demand increased dramatically and Boeing attempted to meet this surplus of orders by doubling their production capabilities instantaneously. A manufacturing crisis ensued and Boeing's reputation took a dramatic turn for the worse when

Perhaps the first step in recognizing that the cycle of demand for their products caused massive fluctuations in revenue each year and the company needed more stability occurred when Boeing acquired McDonnell Douglas in 1997 to increase its defense contracts. This merger, however, brought with it difficulties in the way of cultural synthesis. McDonnell Douglas had a very strong culture that focused on their dealings with government officials for defense contracts. Combined with Boeing's family-orientated culture, the merger was not without integration issues. The merger also had financial implications when investors accused the organization of trickery in regard to the merger with McDonnell Douglas and a payout of \$92.5 million was made to shareholders.

WHEN TECHNOLOGY BECAME AN ISSUE

In 2001 Boeing adopted the principles of lean manufacturing and aimed to rejuvenate their reputation by making their production more efficient. The object of the project was to implement an automated system of assembly lines. They also hoped to coordinate and facilitate easier channels of communication between Boeing staff and suppliers. They implemented a Web-based procurement system that allowed suppliers to monitor stock levels and replenish supplies when they dipped below a predetermined minimum.

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they were required to halt production of the 747 aircraft for 20 days. The company had stubbed its toe, according to the then-president of the Commercial Airplane Group, Ron Woodward, who was dismissed not long after the crisis. The win at all costs approach that Boeing supposedly had to its business dealings and a lack of communication within the organization appeared to have been the source of this problem.

After experiencing these manufacturing difficulties, an attempt was made to revitalize Boeing's operations by streamlining aircraft assembly and increasing the efficiency of the company. This was to be done by focusing on production and costs, not on airy vision statements.⁴³ Their overall strategy was to update their technology systems, downsize their operations, and reestablish relationships with their suppliers the only feasible way costs could be cut.

The process of automating the production line was a struggle for Boeing. Information technology within the organization was decentralized and over 400 systems were being used to meet the needs of various departments. The lack of collaboration in regard to product procurement meant that the same product could be manufactured by Boeing for one aircraft but subcontracted for another. Boeing had recently chosen to implement a technological platform to regulate product life cycles. This was hoped to cut costs and facilitate the more rapid production of the 7E7. It would do this by standardizing the use of specifications, engineering rules, operational parameters and simulation results across its extended enterprise.⁴⁴ It was hoped that this new system would improve collaboration, innovation, product quality, time-to-market and return-on-investment.⁴⁵

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THE CULTURAL IMPLICATIONS OF DIVERSIFICATION

The decision was made to diversify from the traditional commercial airline industry and the many acquisitions that were made created integration issues for the company. The aim again was to add more stability to the business by diversifying into information services and the space industry providing services with elevated margins that would reflect on Boeing's bottom line. Condit later admitted that entry into the space industry was an erroneous move. According to the CEO of Airbus, Noel Forgeard, the process of diversification was extremely demoralizing for Boeing employees, but Boeing's vice president of marketing, Randy Baseler, claimed that what affects morale right now is that we are in a down cycle.⁴⁶ Regardless of the reasoning behind it, Boeing's employee morale was at a low and this issue needed to be addressed.

According to a BusinessWeek reporter, Boeing was in dire need of a strong board and a rejuvenated corporate culture based on innovation and competitiveness, not crony capitalism.⁴⁷ Boeing's past had left its culture in pieces. After the merger with McDonnell Douglas and many other organizations, the decision was made in 2001 to move the headquarters of their operations from their historical home in Seattle to Chicago. The relocation was

was regarding the new 7E7 planes, which would be Boeing's first new plane in a decade. On December 16, 2003, Stonecipher announced that Boeing was to go ahead with the production of the 7E7 jets. Stonecipher promised to work closely with unions to see that the low morale is reversed and that the planes are produced at a quicker pace and for less money. Despite Stonecipher's best efforts, critics are calling for an outside leader to come in and take Boeing back to basics.

A researcher of a shareholding firm claimed that Boeing's problems lay in the fact that they had overpromised and underdelivered.⁴⁸ The past has shown that Boeing's inability to react to external pressures has increased their demise. The future of the industry will now depend on the ability of either Airbus or Boeing to predict the way the market will go. Boeing has bet its future on the market developing a partiality for smaller aircraft, like their new 7E7. Airbus, on the other hand, projects that the airlines will purchase larger aircrafts in the future.

Questions

1. Select one or more diagnostic models that you believe provide a framework that succinctly identifies the key factors at the center of the Boeing situation. Explain your choice of model.

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said to be the factor that most significantly disturbed the culture of Boeing. The move was instigated to provide a neutral location for the diversified Boeing. Having acquired many different organizations, the past connections to the Seattle site were to be severed. The strategic reason for this move was to help refocus attention on international growth prospects.

Harry Stonecipher, the past head of McDonnell Douglas who had come in as the new chief operating officer of Boeing after the company was acquired, was announced as the new CEO after Condit's resignation. His first important decision

2. Explain the Boeing situation in terms of your selected model.

Note: In answering these questions, it may be of interest to know that Boeing did turn things around. Fast forward to 2007 and we find that the last few years have been good for Boeing. Its 7E7 is the fastest-selling new aircraft ever and is sold out for years into the future. Boeing addressed many of its issues and its performance has benefited. Airbus, on the other hand, has suffered continuing delays with its giant A380.

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