

Corporate
Governance
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Boeing Boeing Gone?

David W Duffy

Co Founder & Chair

20.11.24

Lunch & Learn



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Overview of Boeing and its Governance: An insight into how the governance structures of Boeing have evolved and the mistakes made.

2

Leadership: The weaknesses in Board leadership and whether combining the roles of the Chair and the CEO is a good idea.

3

Board composition: What a non-executive director could learn from good due diligence on an organisation like Boeing

4

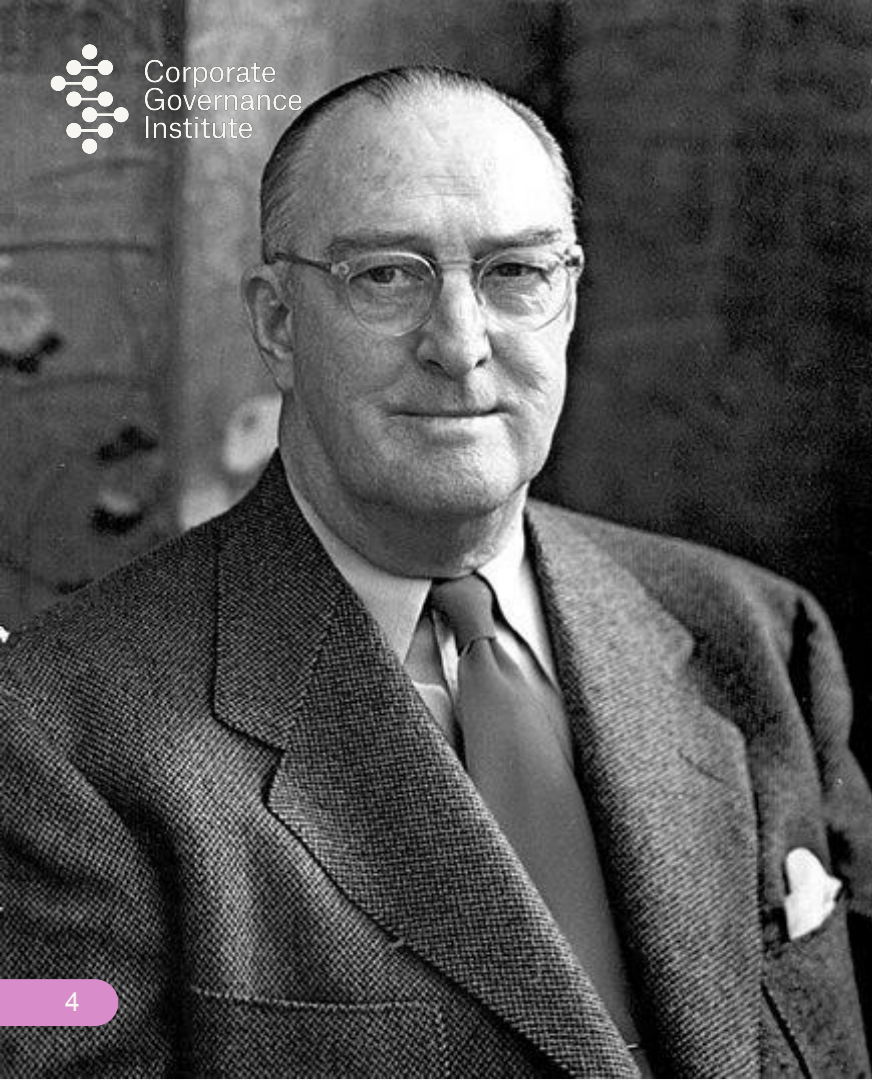
Future for Boeing: Our thoughts on what governance changes, if any, are required so that Boeing can survive and hopefully fly high again.



1. Overview of Boeing and its Governance

An insight into how the governance structures of Boeing have evolved and the mistakes made.

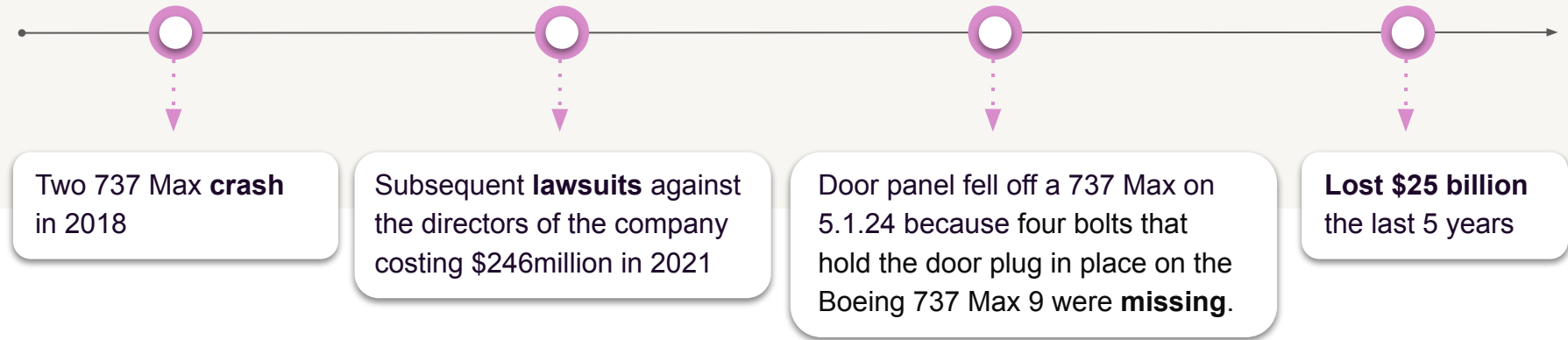





Boeing

- Boeing Company started in 1916, when American lumber industrialist **William E. Boeing** founded Pacific Aero Products Company in Seattle, Washington.
- 170,000 staff in the USA & 65 countries
- 3 business units: Commercial Airplanes; Defense, Space & Security; and Global Services
- In December 1996, Boeing announced its intention to merge with **McDonnell Douglas**, which, following regulatory approval, was completed on August 4, 1997.
- 2010 to 2014, Boeing's CEO never mentioned safety even once in their annual statement

Boeing's problems



Boeing's problems



Share price **decline** from \$371 in 2020 to \$154 today

First **strike** in 16 years in 2024 - 33,000 machinists out for 6 weeks, now resolved in November 2024

May 2024 - Federal air safety regulators have opened a fresh **investigation** into the Boeing 787 Dreamliner - after the firm said several employees had committed "misconduct" by falsely claiming tests had been completed.

2024 New York Times story revealed Boeing has "**a culture that often valued production speed over quality.**"

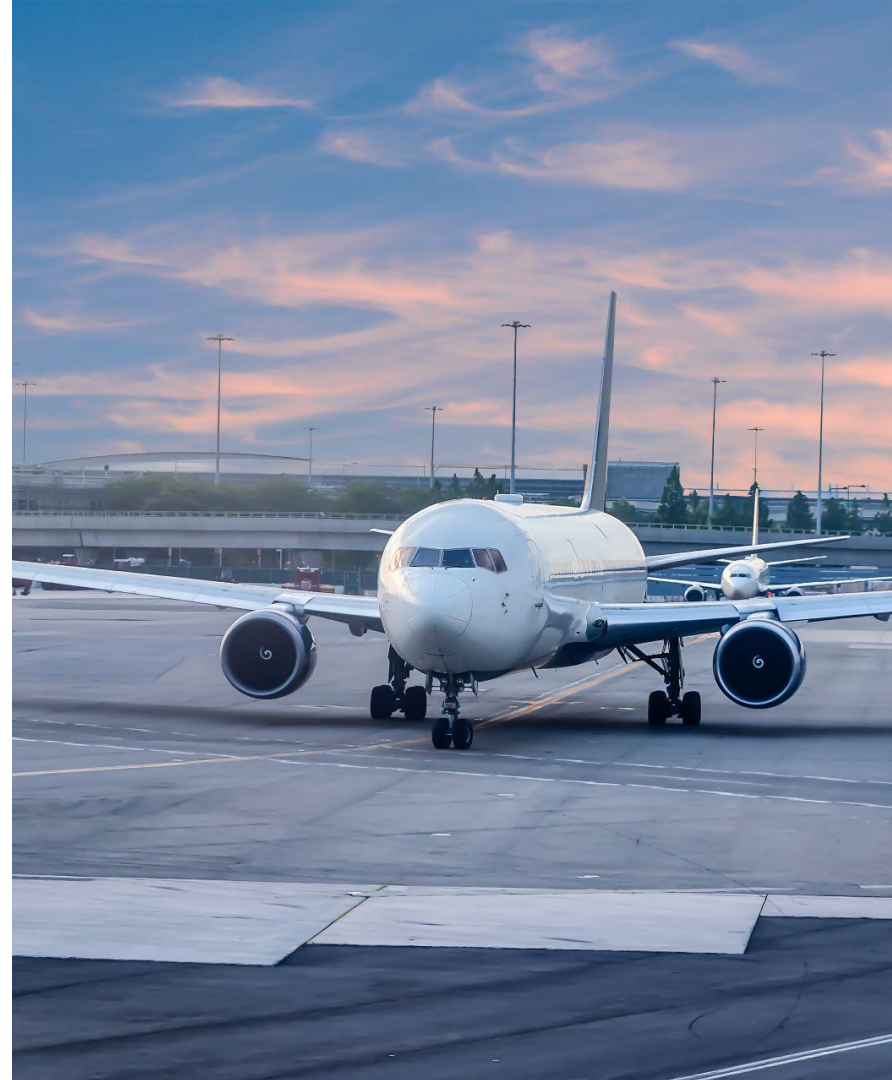


Board in 2019 and Beyond

- CEO and Chair (President) were the same person since Boeing started
- Separation of the role of the Chair and CEO in 2019 after the 737 Max crashes
- Establishment of **Aerospace Safety Committee**
- Recruiting of directors with engineering, risk management, safety and aviation
- No emphasis on safety at board level
- Profit making and a reasonable share price until 2019

Board Failings per FAA 2021 report

- Limited oversight airline safety.
- Failure to formally monitor or discuss safety on a regular basis.
- Management's periodic reports to the Board did not include safety information related to overall product safety issues.
- Board did not have a mechanism for receiving internal complaints about airplane safety and it never learned about any employee or whistleblower safety complaints.
- Board pushed for meeting production deadlines and remaining competitive with its chief rival, Airbus.





Board Failings per FAA 2021 report

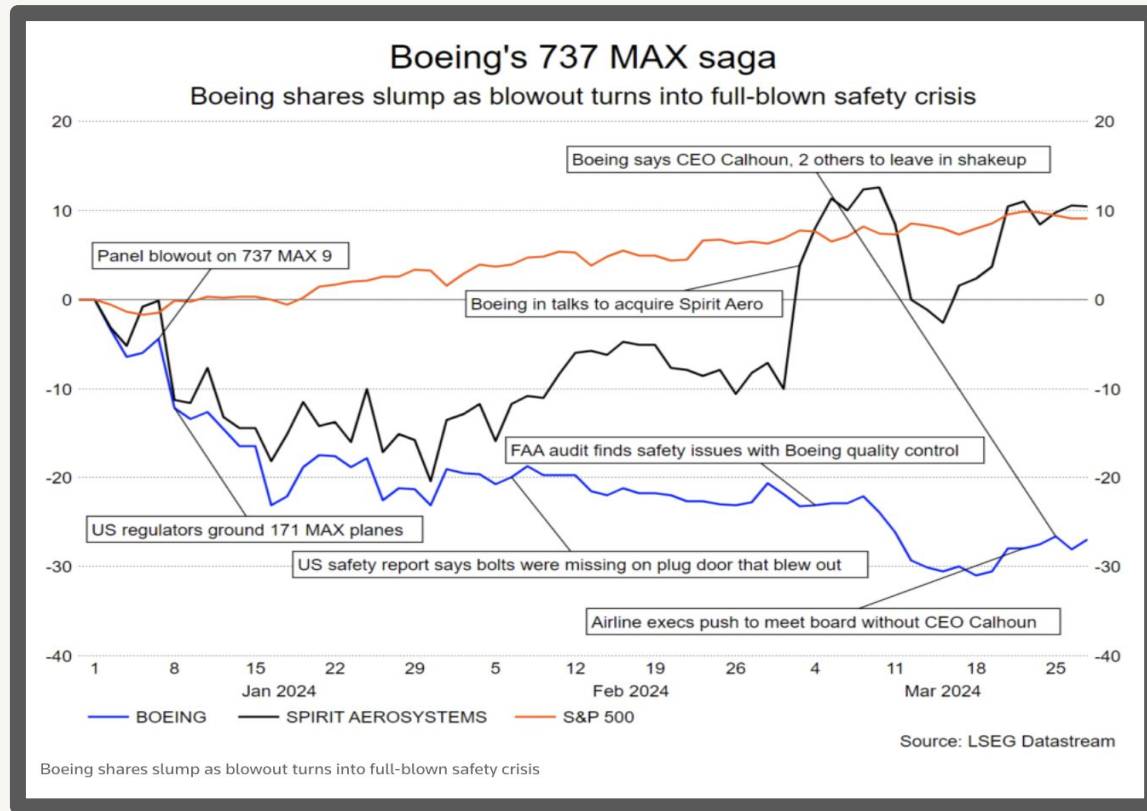
- Boeing adopted an aggressive schedule to develop the 737 MAX in response to Airbus competition thereby glossing over significant re-engineering issues.
- Safety issues from Max 737 crashes inadequately addressed by Boeing
- FAA failed to identify Boeing had a very poor culture overseeing quality and safety
- Some employees refrained from expressing their concerns about safety processes due to fear of retaliation by coworkers or division senior management
- Lack of Board accountability and disclosure

2021 Court case found that

- That Boeing's board "turn[ed] a blind eye to a red flag representing airplane safety problems," citing allegations that the directors "treated the [first] crash as an 'anomaly,' a public relations problem, and a litigation risk, rather than investigating the safety of the aircraft."
- The defendant board members failed to carry out their respective duties to monitor the safety and airworthiness of Boeing's aircraft, and the extent of those failure only became apparent in the aftermath of the tragic crashes of the two 737 MAX flights.
- Rather than prioritising safety, the Board members focused on an oversight agenda that emphasised rapid production and profit maximisation.



Boeing's rocky ride in 2024



Main differences for listed companies between the USA and Europe

Topic	USA	Europe
Board terms	No mandated term limits for directors	Maximum term of 9 years for regulated organisations
Board evaluations	Self evaluation assessments annually	Annual assessments & External one every 3 years
Diversity	Specific reporting requirements	Quotas in Europe
Chair / CEO	c40% of Chairs are independent	Chair must be independent and cannot be the CEO at the same time
Comply or Explain	In common usage	In common usage



2. Leadership

The weaknesses in Board leadership and whether combining the roles of the Chair and the CEO is a good idea.

- Chair and CEO should be separate - it's critical for accountability
- No one person could have the bandwidth to carry out the Chair and CEO roles in an organisation the size of Boeing
- Cultural failings - the Chair is responsible for this and was ignored after the merger with McDonnell Douglas
- Did the combined Chair / CEO withhold critical information from the Board?



3. Board composition:

What a non-executive director could learn from good due diligence on an organisation like Boeing

- Separate Chair / CEO role?
- Values and culture
- Regulator views
- What did the latest Board Evaluation reveal?
- Director tenure
- What do former directors / senior executives say
- Board oversight of core business
- Post merger history

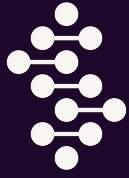




4. Future for Boeing:

Thoughts on what governance changes are required so that Boeing can survive and hopefully fly high again.

- Annual External Board Evaluations
- Annual Chair and Director Evaluations
- Full disclosure on the role and activities of the Board Committees, especially Safety
- Director / Executive compensation tied to measurable governance improvements
- Culture Audits
- Financial Oversight



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Questions?

info@thecorporategovernanceinstitute.com
www.thecorporategovernanceinstitute.com

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