

Why workers fell out of love with Boeing

Fifteen years ago, four academic researchers were given unprecedented access to workers at Boeing Commercial Airplanes. Studying the impact on workers of a decade of sweeping corporate changes, they conducted four large-scale surveys over a 10-year period, asking detailed questions of Boeing employees at all levels, from managers to machinists, from engineers to customer service reps, IT specialists, and tool-and-die makers. About 5,000 workers were mailed the surveys, randomly sampled from a Puget Sound area workforce of over 80,000. Researchers also conducted about 60 interviews and led 20 focus groups. They lay out their conclusions in a new book, “Turbulence: Boeing and the State of American Workers and Managers.”

Boeing, like so many other companies, has downsized, reorganized, merged, digitalized, and outsourced. The result of the shift in management philosophy and practice, the researchers found, is that employees are more disenchanted and less committed to the company, more attuned to outside life and less involved in their jobs, and broadly worried — for themselves and for their country — about outsourcing.

“Until the late 1980s, Boeing was known in the industry as an engineers’ company,” write the authors. “Costs played second fiddle to design and quality.”

Boeing was willing to spend lots of money, long term, in new ideas, because the engineers, not the accountants, called the shots. Management may not have been touchy-feely in the old Boeing, but company culture always focused on the product, with the result that workers at all levels felt great pride as Boeing dominated the commercial aviation market with product after product.

Then airline deregulation made customers much more cost-conscious. And European Airbus rose as a global competitor gobbling up market share — mainly from Boeing competitors Lockheed and McDonnell Douglas. But no event was more significant than Boeing’s 1997 merger with McDonnell Douglas.

“The joke was that McDonnell Douglas bought Boeing with Boeing’s money,” says Connie Kelliher, longtime spokesperson for Aerospace Machinists District Lodge 751. “They took on the practices of the company that had gone out of the commercial aviation business.”

In theory, Boeing was buying McDonnell Douglas, but after the merger, a majority of top executives and board members seemed to have come from McDonnell Douglas, and the company headquarters was moved to Chicago.

Pre-merger, management’s focus had been the product; post-merger, the focus, laser-like, was on the stock price. Shareholder value became the mantra of company leaders, and a disproportionate share of financial rewards went into the pockets of shareholders and executives.

On the other hand, workers were in for a bumpy ride, with non-stop cost-cutting, extensive outsourcing, pervasive technological change, “flavor-of-the-month” management initiatives, and wave after wave of layoffs.

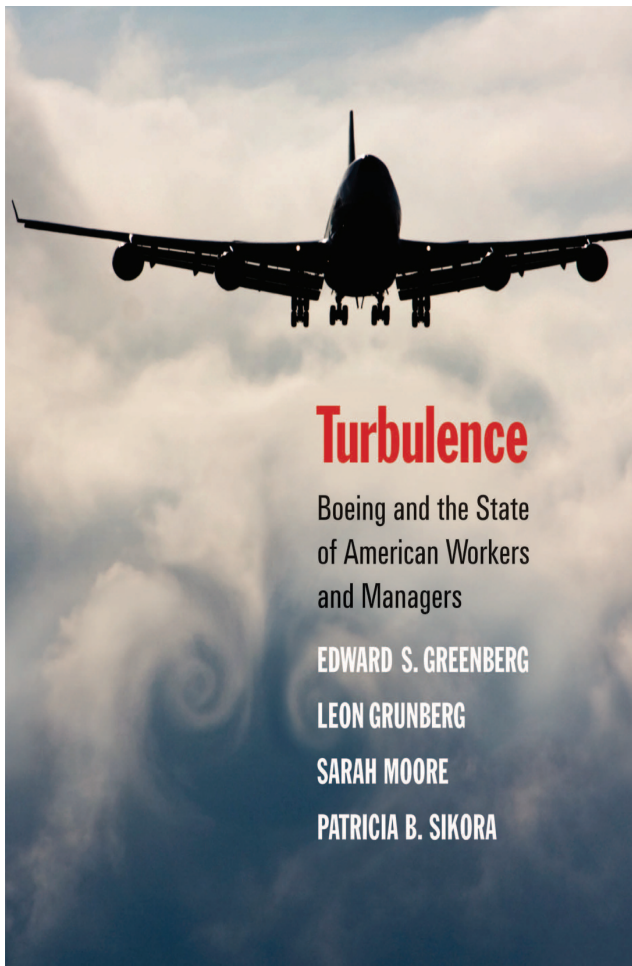
Engineering and design were computerized: Engineers became much more productive, and fewer were needed.

In manufacturing, lean production techniques borrowed from Toyota reduced the amount of space, time, material and people needed to make planes. Over 1,500 executives, managers, and front-line employees were sent to Japan to study Toyota’s methods from 1993 to 1998. The results were impressive. The 737 NG — which took three shifts of workers 22 days to assemble in 1999 — took two shifts of workers 11 days in 2005.

Some parts, such as engines, had always been made by other companies, but after the merger, the number of parts made by outside vendors greatly increased. Eventually, parts research and development — even capital investment, risk and return — were outsourced to Boeing “partners” in the 787 Dreamliner project. And core competencies like wings were offshored to Japan.

Boeing’s story, as the authors suggest in the title, is the story of the American workplace. “Turbulence: Boeing and the State of American Workers and Managers” is Boeing’s story. Favorably reviewed in the New York Times and Seattle Times, the book is now in its third printing.

Its authors are political scientist Edward S. Greenberg of the University of Colorado, comparative sociologist Leon Grunberg and psychologist Sarah Moore of University of Puget Sound, and Colorado market researcher Patricia Sikora. The Northwest Labor Press interviewed Grunberg and Moore together by phone Feb. 8.



Turbulence

Boeing and the State of American Workers and Managers

EDWARD S. GREENBERG

LEON GRUNBERG

SARAH MOORE

PATRICIA B. SIKORA

The changes in management philosophy and practice that you observed at Boeing seem to be under way across the board in corporate America.

Grunberg: I think the philosophy is a focus on short-term shareholder value.

Can you define that?

Grunberg: It means responding to Wall Street demands for high quarterly returns. Especially when Boeing merged with McDonnell Douglas, a whole bunch of people came in from McDonnell Douglas, and that seemed to change the ethos and governing philosophy. They became much more focused on meeting Wall Street expectations from quarter to quarter — rather than thinking about the health of the company over years.

How are those two approaches different in practice?

Grunberg: Outsourcing became much more dramatic with the 787. Instead of just outsourcing manufacturing, they outsourced the design of parts for the plane, and also for the partners to share some of the risk and cost of designing and producing parts. It was a way to offload risky investment in a new product. By doing that, it makes their balance sheet look a little better temporarily ... but in the end it actually cost them three years of delay and billions of extra costs and late fines they had to pay to customers.

How have Boeing workers reacted to the book?

Moore: No one who’s a Boeing worker has said, “That’s not my experience.” Exactly the opposite.

Grunberg: We’ve had a lot of Boeing people e-mailing us telling us we’ve got the story right.

In the book you talk about some positive changes also, like greater opportunities for women. And you don’t paint too rosy a picture of a “golden age.” Still, I think the overall reaction when you read this book is to think that the 10 years of changes didn’t benefit the workers all that much.

Moore: To be fair, there are some people who really liked the changes, who thrive under a different kind of Boeing. But that seemed to be the minority. By and large, people were reeling. People in the initial survey in 1996 who left Boeing after that felt they were so much better off. I think what it highlights is how stressful it was to be at the company.

Grunberg: I would say the positive that came out of this decade of

turbulence is that the company became more efficient. But the downside was you had morale that went through the toilet across the board, from engineers to machinists. People became cynical, disaffected, disappointed in the company. The outsourcing strategy threatened the company’s survival. From an economic point of view it was a disaster. So on balance, I’d say what they did in those 10 to 15 years was needlessly damaging to some of the good things about the old Boeing. I think some of the smarter people within Boeing know that they need to rebuild and repair some of the damage that was done.

Maybe they could have made those lean manufacturing improvements, but not in a way that affected morale so negatively?

Grunberg: I don’t think the lean manufacturing stuff, at least in our study, was the thing that hurt morale. I think it was much more the careless, cavalier attitude to layoffs. They would hire several thousand and then a couple years later lay off several thousand. It created tremendous uncertainty.

Didn’t that happen periodically before?

Grunberg: It used to happen before, but it was just a business cycle thing.

So if you were laid off before, you’d say, “Boeing’s doing poorly, so I’m being laid off,” but now if you’re laid off, you say, “Boeing’s doing fine, yet they’re sending jobs overseas and laying me off.” That doesn’t make you feel good about coming back.

Grunberg: It’s a different feeling when you take into account that layoffs are part of the new business strategy.

At one point in the book, a manager says, “This isn’t your father’s company.” And I can imagine in the manager’s voice that being a positive thing, and in the workers’ ears it being a terrible thing. In your father’s company there was lifelong employment, and it felt like a family.

Grunberg: Boeing employees told us, “If I’m just a number to them, then they’re just a paycheck to me.”

Moore: A lot of different management initiatives were being imported from Japan, that workers would talk about cynically, like a “flavor of the month.” Like the 5 Ss. One of the Ss was “sweeping,” to make sure your work site is clean. I think it felt somewhat patronizing.

Did that undermine workers’ opinion of managers’ competence?

Moore: Absolutely. It was just a joke. They didn’t take any of it seriously after a while, because it was just one thing after another.

All these changes: Did they have a health impact, in terms of stress, on Boeing employees?

Moore: It’s hard to demonstrate causality, but the most powerful piece of empirical evidence we have is the comparison between workers continuously employed at the company and those who left. We measured them all at the beginning, and controlled for age and health. We found those who stayed had more depression and higher blood pressure than those who left. We also had interview data where people linked the heart attack they had with stress on the job.

Your study ends in 2006. What results do you think you would you get if you did a 2011 update?

Moore: We actually have interviewed a few people since 2006. In 2006, there was additional optimism about the 787. It felt like maybe Boeing was returning to that innovative, creative company they had first worked for.

Grunberg: They had 800-plus orders, so job security looked a little better at that time.

Moore: But a lot of the problems we now know of were not visible. I think now everybody just shakes their head about how poorly that program has gone.

What impact do you hope the book will have?

Grunberg: Well, we hope that the Boeing top management will seriously change where they’re going, take a longer-term view and actually appreciate the skills that they have in-house, across the board, from engineers to machinists. Once you break these relationships, they’re hard to repair, and I think they’re understanding that right now.