Boeing ousts CEO amid turmoil over 737 MAX

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Nine months after the Boeing 737 MAX was grounded following two fatal crashes, the company's board fired CEO Dennis Muilenburg Monday.

His position, under pressure since March, became untenable this month following a breakdown of relations with the Federal Aviation Administration and after the collapse of Boeing's optimistic forecast that the MAX could be cleared to fly this year angered its suppliers and its airline customers.

That left Muilenburg with no support. His grilling last month at a public hearing of the U.S. House Committee on Transportation and Infrastructure chaired by Rep. Peter DeFazio, D-Ore., emphasized the intense anger at Boeing's leadership.

"Based on what we've discovered so far in our investigation into the design, development and certification of the Boeing 737 MAX, it's clear Dennis Muilenburg's ouster was long overdue," DeFazio said in a statement Monday. "Under his watch, a long-admired company made a number of devastating decisions that suggest profit took priority over safety."

"I hope the decision to remove Muilenburg means that Boeing is also ready to mark a new chapter in its commitment to safety and accountability," he added.

David Calhoun, current chairman of the company's board of directors, will take over as president and CEO starting Jan. 13.

Boeing Chief Financial Officer Greg Smith will serve as interim CEO during the brief transition period, while Calhoun arranges to leave his senior management position at private equity firm the Blackstone Group.

Calhoun's appointment was welcomed by some in the industry looking for a more confident extrovert to communicate better than Muilenburg did and to restore confidence in Boeing not only with airline leaders and major suppliers but also with the public.

However, others questioned whether Calhoun's private equity background and his long tenure on the Boeing board will equip him to restore the company's standing.

A former Boeing senior leader, who asked for anonymity to speak freely, conceded doubts about whether Calhoun is the one to revive the company's historic culture of engineering prowess that's been eclipsed for years by a focus on financial performance.

"If it's just more cost cutting, that's not what we need," he said. "We have to restore the culture of engineering excellence that has served us so well for over a century."

In an interview, Richard Aboulafia, vice president of analysis at aviation consulting firm Teal Group, offered similar concern that Calhoun may have "the wrong skill-set to change Boeing."

"He's been on Boeing's board for 10 years, coming from the private equity industry and from GE in the Jack Welch era," Aboulafia said. "This is the kind of resume that Boeing has not been lacking and it's not as if he's bringing a fresh perspective."

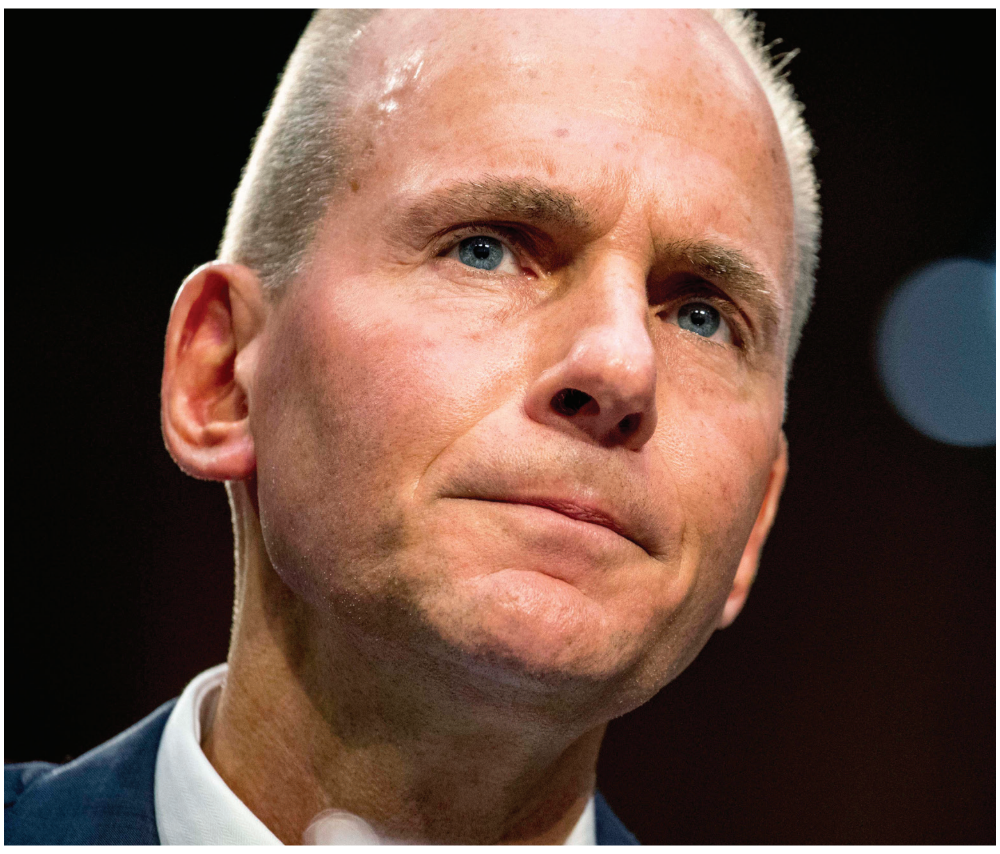
He said Boeing needs a leader now with not only a firm grip of the jetliner market but also with "a strong understanding and appreciation for engineering."

"That's what's been lacking at Boeing, and that's what this company really needs," he said.

Aboulafia acknowledged though that Calhoun is certainly "going to have a better presence out there than Dennis Muilenburg."

"He's going to reassure people — everyone from employees to the public to Congress," he said. "If he follows it up with an effort to make things more transparent, than that will be very welcome."

Since March, Muilenburg has stumbled through the MAX crisis. Tone deaf, he pointed fingers at the overseas pilots and refused to admit there was any flaw in Boeing's design of the MAX's new flight control system.


Andrew Harnik/AP Photo
Boeing President and CEO Dennis Muilenburg is resigning amid ongoing problems at the company over the troubled Max 737 aircraft.

In his refusal to accept blame, every statement seemingly filtered through Boeing's legal team, he generated intense public hostility.

And Muilenburg's repeated projections that a return to the skies was always just a month or two away seemed aimed at investors to buoy the stock price rather than conveying reality.

This month, the rosy predictions finally vanished when FAA clearance for the MAX slid out to at least mid-February. Boeing promptly announced it would shut down the Renton final assembly line. Next day, United Airlines pushed the MAX out of its flight schedule until June.

In a signal that Calhoun means to change the tone right away, on Monday morning he called government officials, members of Congress, major airline CEOs, supplier executives and investors "to pledge his partnership and open line of communication," Boeing said.

An official with a major U.S. airline, who asked not to be identified, said industry leaders already know Calhoun well and have an easy personal relationship with him, unlike with Muilenburg.

"Muilenburg wasn't the sociable person who'd go out for a drink with the airline CEO," the official said. "He had an introverted engineering mindset."

In contrast, Calhoun is confident and outgoing.

In early November, after he took over as chairman of the board from Muilenburg, he immediately gave an energetic interview on CNBC, admitting errors and laying out how the MAX will be fixed and plans to overhaul the company's entire safety system.

The airline official welcomed the immediate change in leadership style that Calhoun conveyed in the Monday phone call.

"When the fix to the MAX is in place, Boeing has to rebrand itself as a company, with airlines and also with the traveling public," he said. "Calhoun will be much more aggressive in leaning forward to communicate with the public."

He foresees much more open communication from Boeing going forward. "Lawyers shouldn't be telling the CEO what to do and the company cannot just hide and issue a 'no comment,'" he said.

Boeing also announced Monday a new leader of its communications team, brought in from outside.

Muilenburg's handling of the MAX crisis came under fire from all sides, although the board voiced support for him as recently as October, when Calhoun replaced him as chairman.

Boeing's statement Monday said the board "decided that a change in leadership was necessary to restore confidence … as it works to repair relationships with regulators, customers, and all other stakeholders."

The statement promised the new leadership would deliver "renewed commitment to full transparency, including effective and proactive communication with the FAA, other global regulators and its customers."

Two weeks ago, the head of Boeing's primary regulator, Federal Aviation Administration chief Stephen Dickson, delivered an unusually blunt public dressing-down after directing Muilenburg in a Washington, D.C., meeting to stop predicting when the MAX would fly again.

Dickson wrote to Congress that "Boeing continues to pursue a return-to-service schedule that is not realistic due to delays that have accumulated for a variety of reasons." He added: "More concerning, the Administrator wants to directly address the perception that some of Boeing's public statements have been designed to force FAA into taking quicker action."

Last week, in a tacit acknowledgment that the timetable for returning the plane to service is unknown, Boeing said it will suspend MAX production in Renton after the holiday break.