

Aerospace & Defense

The opportunity for investors – culture change and engineering focus

Industry Overview

Culture isn't found in an employee handbook

As we exit the long weekend celebrating Martin Luther King Jr. Day on the heels of another Boeing/Spirit quality escape, the challenges of changing culture came to mind. Dr. King transformed American culture by living the words of “nonviolence” he preached, which in turn inspired millions and compelled Americans to act. Boeing and Spirit have both identified the needs for their organizations’ culture to change, and while their task pales in comparison to Dr. King, both companies continue to face an uphill battle.

How many times can “won’t happen again” happen again?

There has been no shortage of aircraft incidents which sent shockwaves around the world, and worried travelers about the safety of their next flight. *We highlighted in our [2024 year-ahead](#), it was our hope major OEM quality escapes would remain in 2023, but we worried there would be more “boogey-men” lurking.* Prior to the [737MAX-9 door-plug midflight blow out](#), last year Boeing and Spirit reported, [loose bolts on 737MAX rudder systems](#), [misaligned and duplicated holes on aft pressure bulkheads](#), and [non-conforming vertical fin attachments](#). In response to each incident, both Boeing and Spirit swore to investors, the FAA, and the flying public they’ve investigated the matter, are working hard to address the issues, and implementing additional protocols to ensure quality and safety standards will prevent similar future occurrences. Yet, only two weeks into 2024, potentially catastrophic quality escapes continue to occur. The question we think consumers, investors and governing bodies are asking after years of “commitments” and “promises” to safety, quality investigations, and procedural overhauls, when will Boeing and Spirit actually practice the words they preach?

Real, lived culture changes should be demanded

It’s our view both Boeing and Spirit need a drastic cultural overhaul. This cultural change won’t come from FAA mandates, congressional hearings, internal memos, or one-hour all hands meetings. For culture to move from corporate jargon to being embodied in the habits and minds of both work forces, we see it as necessary for Boeing and Spirit to drastically rethink the ways they have operated. Both companies have their own unique problems to address; however we believe for each to achieve a true cultural shift, reigniting engineering culture and rebuilding employee trust are paramount.

Cultivated from the top, but sprouts from the bottom

BA & SPR’s engineering prowess has waned due to an obsession with financial metrics bolstered by cost cutting and cash flow generation. Did anyone ever start an innovative company with the end goal of optimizing share repurchases and paying a dividend? It’s our view both companies should look to promote product development-oriented engineers to the highest levels of decision making to map the road ahead which can restore their names as engineering titans. Additionally, to inspire employees for the future, both must repair relationships with their workforces. We view it necessary for both to focus on retaining and attracting the brightest young engineers with interesting work and competitive pay in an open and nonthreatening environment. At their core, both are aircraft companies. If they are successful at delivering the finest aircraft in the world, success as measured by all stakeholders will follow, including shareholders.

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