



**Business Case Study  
of  
THE DOWNFALL of BOEING**

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# If It's Not Boeing, I'm Not Going

- 5 months, 2 major crashes (Indonesia, Ethiopia), 1 company → Boeing.
- Both of the aircrafts crash because of the manufacturing defects.
- The incidents were not stopping from Boeing.
- 970 cases in the last 10 years, one of the greatest companies in human history on the verge of bankruptcy.
- Was the most reliable, most trusted and most innovative aviation brand for 80 long years.

# Philosophy of Running a Business

- You could either be a product driven business or a business driven business.
- Consider the fundamental principles that underlie the formation and operation of a business enterprise; the nature and purpose of a business, and the moral obligations that pertain to it.

# The Apple Example of Product Driven Business

- Steve Jobs even cared about the smallest things of a product in Apple.
- Resulted in slowed production, increased cost, very expensive.
- Announced in January 2007 that Apple will be launched in June 2007.
- The factory was ready, raw materials were decided, the design was finalized, iPhone were just about to get manufactured.
- Suddenly he discovered that the iPhone screen scratches.

# The Apple Example of Product Driven Business

- Changing the screen of 1.4 million iPhones would cost profits, would put the hard work of thousands of people at risk.
- Back then nobody produced scratch proof glass screens in the world.
- Collaborated with a Chinese company to manufacture scratch proof glass, hired 8700 mid level engineers, and started manufacturing iPhones with a scratch free screen.
- The rise of gorilla glass.

# Gorilla Glass





# The Apple Example of Product Driven Business

- iPhone replaced the plastic screen of iPhone with gorilla glass in just 150 days and shipped 1.4 million iPhones that did not produce scratch.
- 4 years later, Apple sold 200 million iPhones.
- Steve Jobs philosophy → Product comes first; revenue, profit, shareholders everything comes next.
- Maintain product driven business.

# Product Driven Business

- Every single decision is made to build great products, even it means decreasing your profits, losing shareholder value, taking up debt and incurring losses.
- Until you build a heart product, everything will be stacked against you.
- But you build a formidable product for the world, you can beat all the odds in the market.

# Business Driven Business

- Leaders will always tell you whatever makes the revenue growth, whatever increases profit, whatever increases a stakeholder value that's you got to do.
- It doesn't matter how average or good your products are.

# The History of Boeing

- Boeing, started in 1916, supplied aircrafts to the US Navy, during WWI and that's how the founder became rich.
- First commercial airplane in 1933.
- By 1958, Boeing delivered in the first US made commercial jet liner called Boeing 707.

# The Management of Boeing

- Was run by some engineering nerds.
- Only wanted to build the best products in the world even if that means less profit, taking the company on the verge of bankruptcy.
- In 1965, Boeing generated a revenue of \$2 billion, they put in more than \$1 billion into building an aircraft called the Boeing 747.
- Put half of their revenue just to build a new product.
- In aviation, even if you spend a billion dollars, there is absolutely zero guarantee, you'll be able to make a successful product.

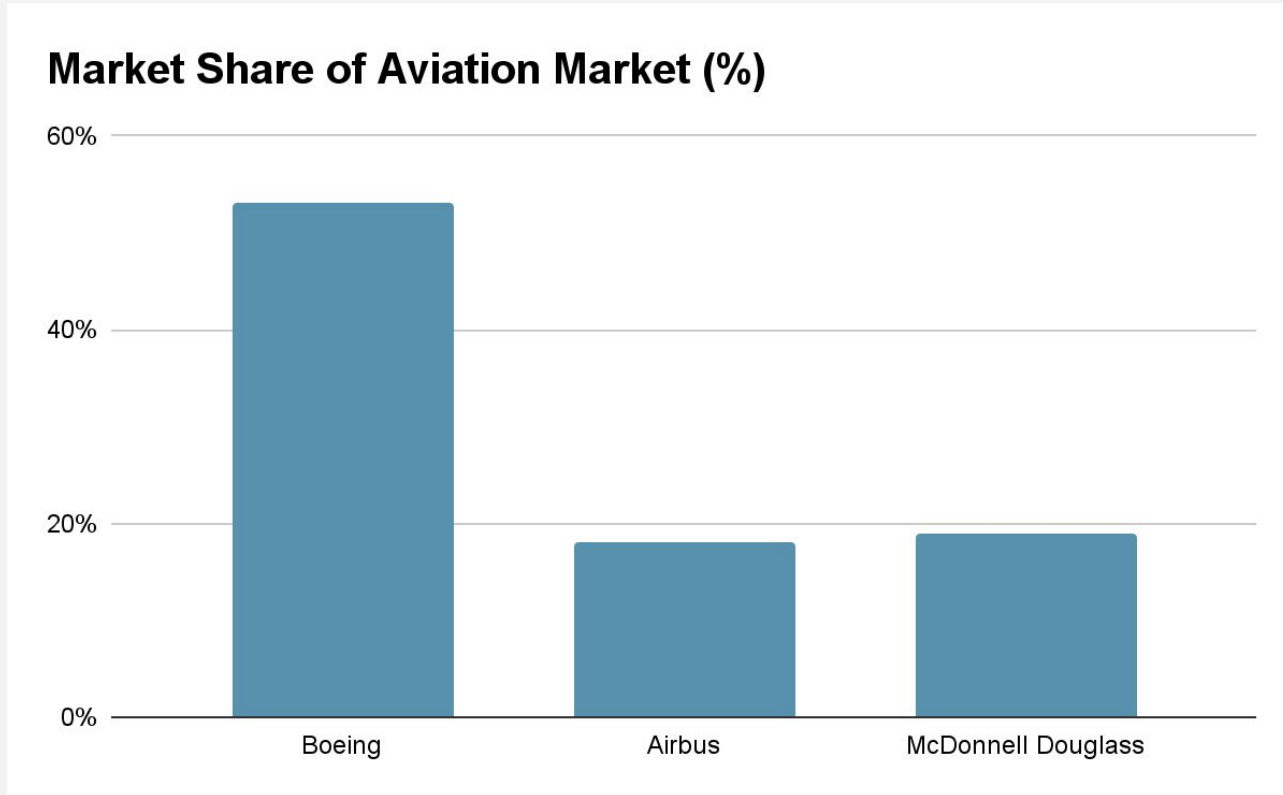
# The Management of Boeing

- Even after you start spending that money, it might take you anywhere between 5-10 years to attempt to build a single product.
- When they designed Boeing 787, they spent \$32 billion, then they had to sell 1100 aircrafts, just to break even.
- India aviation market has only 771 aircrafts.
- Boeing 747 → Build in 28 months with the service of 4500 engineers.
- From 1970 to 2007, Boeing remained the largest passenger aircraft for 37 years.

# The Management of Boeing

- Boeing was run by engineers, had the ultimate power of saying yes or no, while building the products.
- They have always put safety standards ahead of profits and stakeholder value.
- From 1975 to 1995, stock price shot up by 4400%, revenue from 3.92 billion USD to 19.52 billion USD, profit from 102.9 million USD to 393 million USD.

# Market Share of Aviation Market





# Start of Boeing's Downfall

- Boeing acquired Douglass for \$13 billion.
- CEO of Douglass became the CEO of Boeing.
- Douglass team started to take charge of the production and design dept of Boeing.
- Became dept. on the several outsourced teams in other countries.
- Boeing outsourced 65% of their airframe workload.
- Japanese company (35%) designing and manufacturing airframe structures.

# Start of Boeing's Downfall

- Italian company Alenia Aeronautical was responsible for the assembly of the mid section and rear section of the fuselage.
- Outsourcing from Japan, they were getting large orders from Japanese companies.
- Increase 70% outsourcing of the design, engineering and manufacturing of entire modules.
- The budget allocated for Boeing 787 shot up from 18-20 billion to 32 billion USD.

# Start of Boeing's Downfall

- Layoff to 50000 employees for cost cutting.
- From 1998 to 2018, the company brought back \$61 billion worth of stock representing 81.8% of all profits, wanted to increase their earning per share.
- Boeing spent \$61 billion USD just to make their stocks look more lucrative for the shareholders.
- American airlines started to replace Boeing with Airbus.
- Boeing adopted a shortcut process, instead of investing \$20 billion to build a new product.

# Start of Boeing's Downfall

- They spend \$ 2.5 billion USD to tweak their existing design to give a new name.
- To hack the process of certification, they use the same parts of the Boeing 737 and attached new engines.
- Without mandatory simulation training, Boeing 737 max was approved.
- Made the change and pilots were not aware of.
- Used a larger engine was placed a little forward.
- It lifted the nose of the plane while it was mid air.

# Start of Boeing's Downfall

- Because of this change in engine, it affected the ecosystem of the plane.
- Due to maneuvering characteristics, augmentation systems, mandatory simulator training would have automatically pushed the nose down if it was lifted.
- In crashes, when the flights took off, the mandatory simulator training system pushed the nose down.
- To control the nose, the pilot lost control and flights crashed.

# Start of Boeing's Downfall

- Pilots even don't know this system exists.
- No training was given to the pilots, no introduction in the manual.
- To get profits, they have made terrible changes.
- Neither they do have profits, nor they have shared values going up in the past 5 years.

# Boeing 737 Max Crash Indonesia





# Boeing 737 Max Crash Ethiopia

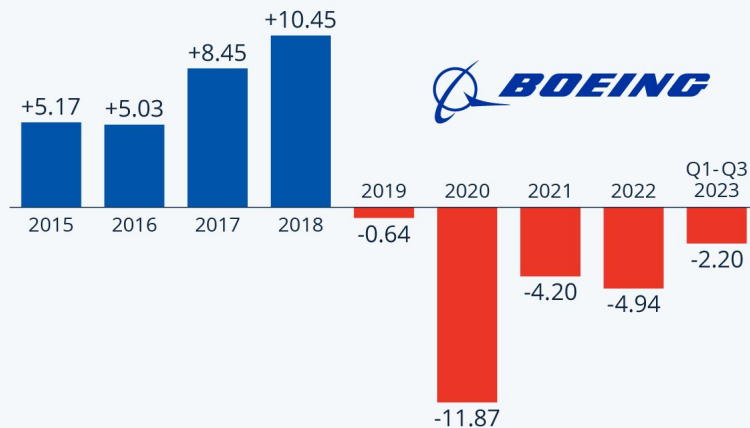




# Boeing's Disappointing Financial Performance

## Boeing Posts Losses Amid Low Deliveries, Air Force One Costs

Annual net loss/earnings of Boeing for a given year  
(in billion U.S. dollars)



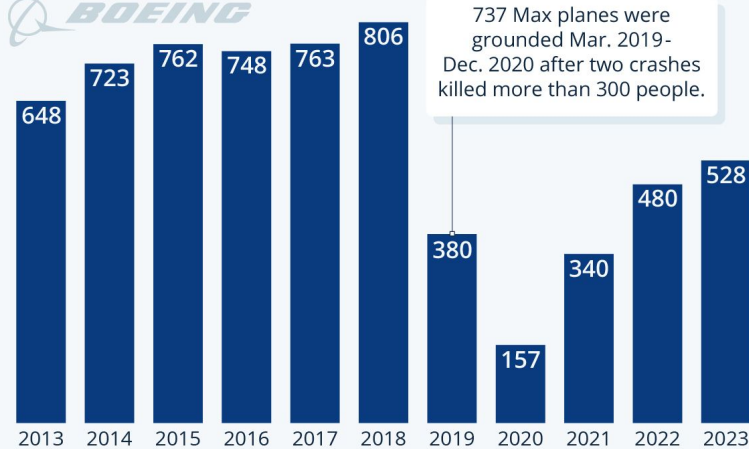
Sources: Boeing company reports, Macrotrends



# Boeing's Disappointing Financial Performance

## Boeing's Deliveries Took a Hit After Last 737 Max Crisis

Boeing's annual aircraft deliveries, by year



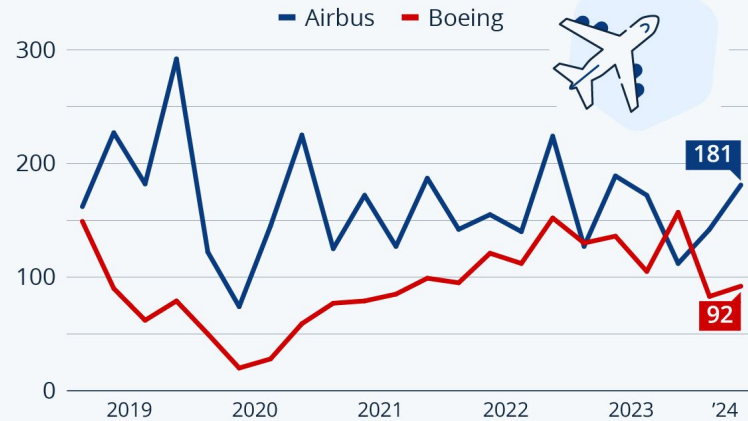
Source: Boeing



# Boeing's Disappointing Financial Performance

## Airbus Beats Boeing for Deliveries in 2024

Quarterly commercial aircraft deliveries by Airbus and Boeing



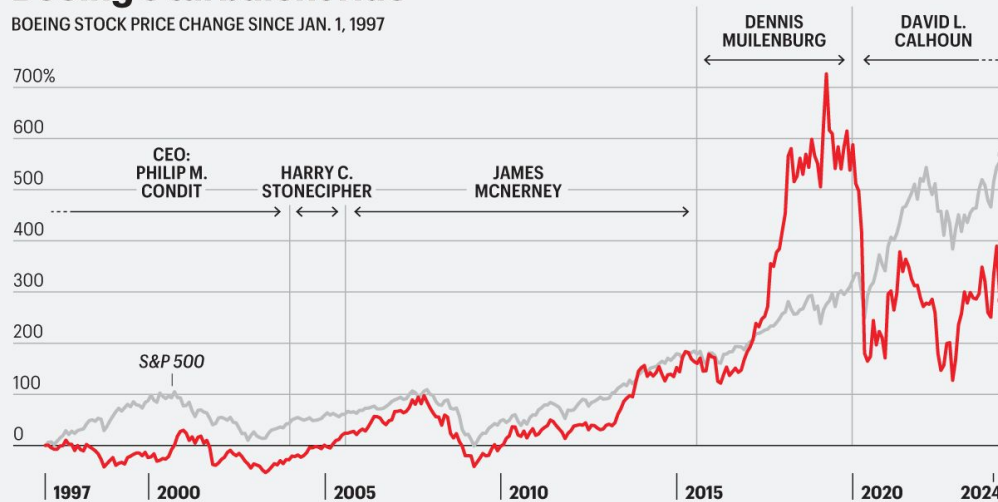
Sources: Boeing, Airbus



# Boeing's Disappointing Financial Performance

## Boeing's turbulent ride

BOEING STOCK PRICE CHANGE SINCE JAN. 1, 1997



SOURCES: S&P GLOBAL

FORTUNE

# Boeing's Disappointing Financial Performance



# Boeing SWOT Analysis

## SWOT ANALYSIS OF



# Business Lessons

- As an entrepreneur, you always have to decide whether you are going to be a product driven business or business driven business.
- If we build products only to increase profit and revenue, it's the perfect recipe for disaster.
- Build great products and the numbers be the by product of good products.
- Culture in any organization is of utmost importance.

# Business Lessons

- Disconnect between management and workers, perfect recipe for failure.
- In business, there is a thin line between cost cutting and compromise.
- If you cut cost, it will help grow your business.
- But if you compromise, your fall will be inevitable.