



## BCA's Scott Carson gives his view on aviation's challenges and opportunities

**S**cott Carson knows the importance of having a big-picture view while paying attention to details.

Since he became president and CEO of Boeing Commercial Airplanes 15 months ago, the business unit has experienced record demand for its products and services while being challenged to ramp up production, manage the global supply chain and redouble efforts to complete the all-new 787 Dreamliner.

Meeting employees and gaining their insight and understanding is a key part of his agenda, and nurturing BCA's relationship with customers is equally high on the list. In addition, Carson sponsors the companywide Lean+ growth and productivity initiative. Carson discussed these and other topics during a November interview with *Boeing Frontiers*.

**Q: BCA is closing in on the third straight year of booking more than 1,000 orders, and a number of large U.S. carriers haven't yet begun re-equipping in earnest. Are we looking for another strong year in 2008?**

**A:** The current cycle has been so much different from anything we've ever seen before. Two and a half years ago, no one would have believed we'd do two years back-to-back of 1,000. Unless we take the rest of this year off, we'll break through 1,000 again.

The wild card is in predicting how 2008 comes up and what's going to happen with the overall economic situation. We've seen oil in recent weeks go to well over \$90 a barrel. The good news is that puts a lot of pressure on operators to replace older aircraft. The bad news is it puts a lot of pressure on their earnings, which precludes them from having the capital to replace them.

My personal opinion is it won't be a fourth consecutive 1,000-airplane-order

Environmental concerns are "potentially one of the larger threats that the industry faces," said BCA President and CEO Scott Carson. "Boeing, as the market leader, needs to lean forward and take a stand."

JIM COLEY PHOTO

# Keeping our promises to employees, customers

year. It could still be a very good year, but perhaps more normal in size.

**Q: A six-month delay in the 787 program was announced in October. What needs to be done to maintain our customers' trust?**

**A:** We have worked very hard to redevelop relationships with our customers globally, and we have made tremendous progress. There's no question that a single disappointment, like we've had on the 787, can damage those relationships.

The best course of action is to do everything we can to assure that it's a one-time slip that won't affect the other programs. Each week we spend a great deal of time in my staff meeting making sure all program managers understand that we must continue to perform flawlessly, meeting commitments that we have made to customers and keeping the promises we have made to employees. It is the only way I know to rebuild trust.

**Q: How confident are you that BCA's other new products—the 777 Freighter, 747-8 and the P-8A—will remain on schedule as we boost production of existing models?**

**A:** We didn't look at the 787 in isolation. We carefully assessed the condition on all of our programs before we announced the slide in the 787.

We believe we have the resources to execute all these programs. It's going to require careful management of our resources. It's going to require us to maintain the schedules on the 787 so people come off when they need to, and to maintain the schedule on the P-8A, so people can come off that one, because we need them to go work on the 747-8.

We remember too well the production ramp-ups in 1997 and '98 when we stumbled. We can't afford to let the customer down again, so it's imperative that the people running the production programs stay absolutely focused. Their job is to deliver those airplanes that they have committed to—make sure they are identifying challenges they have so we can put appropriate resources where we need to.

**Q: The news media often focus attention on the tough challenges. What are some of BCA's key accomplishments that have been overlooked?**

**A:** We just sold our 1,000th 777, and we recently sold our 7,000th 737. Both of those programs continue to move forward at astounding rates. We also sold the 1,000th member of the 767 family earlier this year.



GAIL HANUSA PHOTO

**Boeing recently sold its 1,000th 777 airplane. Final assembly of the 777 now takes place on a moving line at the Boeing factory in Everett, Wash.—which is also the home of the 747, 767 and 787.**

We certified a couple of new 737 derivatives in the last 12 months. We have implemented a moving line in [the Boeing factory in] Everett [Wash.]; we continue to harvest the benefits of the moving line in Renton [Wash.] and to reduce cost in that product.

One of the really neat things I recently experienced is on the third shift in Everett. I met with a crew that had just completed 10 years without an injury in a very labor-intensive area.

There's lots of great things happening around the company—a lot of energy, a lot of pride in the products that we produce and a lot of pride in the people our employees work with. That's what often gets overlooked when we talk just about the challenges in developing a new airplane.

**Q: What market trends do you see emerging in these early years of the 21st century**

**that will impact our business—for example, environmental concerns, air traffic management and emerging competitors?**

**A:** Let's start with the last one first. In this industry, if you go back 20-25 years, there were two, sometimes three competitors in the marketplace—ourselves, McDonnell Douglas, occasionally Lockheed and the very beginning of Airbus. Here we sit in this new century and there are two—Boeing and Airbus.

But wait a minute, there might now be five others—the Russians, the Chinese, the Japanese, the Brazilians and the Canadians. The marketplace, particularly at the smaller-model end, is going to be a much more dynamic place for us to live. We're going to have to understand where we fit, where we're disadvantaged, and how we exploit our advantages to be successful.

On the environment, the entire industry was relatively slow to respond to the



Commercial Airplanes' effort to nurture a strong customer relationship is exemplified by its Operations Center (above), which provides comprehensive round-the-clock support to Boeing jetliner operators.

MARIAN LOCKHART PHOTO

growing public debate on aviation and the environment. Boeing, as the market leader, needs to lean forward and take a stand.

First, we need to make sure the public is informed of the facts. Secondly, armed with those facts and the support of the public, we need to support reasonable public policies that allow the industry to survive. Thirdly, we need to continue to exploit technology to make us even better environmental citizens. This is potentially one of the larger threats that the industry faces.

Turning to air traffic management, our air transportation system today is relatively inefficient. It's technology that's been around, in some cases, for 30 or 40 years. It is technology that does not exploit the capability of the airplane, and it's technology that drives huge costs in fuel burn because of the way airlines operate. There is a 15 to 17 percent fuel savings potential through modernization of the air transportation system.

If we focus on these issues, we can prepare ourselves for this next century, though it's going to be challenging.

**Q: BCA's major labor contracts expire in 2008. Is Boeing willing to take new approaches in the negotiating process—for example, linking pay to productivity increases or seeking longer contracts for greater stability?**

**A:** Let's go back to just over a year ago, the day that I was asked to take on this responsibility as president and CEO of Commercial Airplanes. That afternoon, one of the union leaders was interviewed by a local newspaper about his relationship with me. His comment was something to the effect that, "I don't have any relationship with any management at Boeing. They never talk to me—I never hear from them."

We have spent a lot of energy this last year—myself, Doug Kight (BCA vice president of Human Resources), Carolyn Corvi (BCA vice president of Airplane Programs), and others—going out and talking to employees. First shift, second shift, third shift, in the factories, in the office areas—listening to employees, and trying to help people understand what it is we are doing. That outreach has been positive. It has helped us tell our story, and helped us understand the

issues that exist in the factories and in the office areas.

Do I think it's going to make the negotiations easy? No, there are still going to be difficult issues. But having a relationship with the people you talk to—that's a key and important first step.

As far as the tactics or strategies, everything is on the table. Certainly one of the hot topics of the year is offering a new type of retirement plan for new hires—an enhanced 401(k) plan that vests immediately and that employees can take with them if they move to another company. There are pluses and minuses to this approach, and we'd like to have dialog around those. And there will be dialog around compensation—wage rates, market-based salaries and linking pay to productivity increases. All of those things are fair game to talk about, and they need to be dealt with in an environment of integrity.

I also frequently meet with union leaders, and we agree that a strike is not the desired outcome. At the same time, we need to understand the impact of what we do in these negotiations on the competitiveness

of our business going forward. We're in this together for the long term, and the focus needs to be on long-term productivity and growth and achieving those in a culture of strong leadership and truly engaged employees. That's how we'll all share in Boeing's success.

I am confident that all of us will work through this in a principled manner, and that we'll find a way through it.

**Q: Why is it important for everyone to implement the Boeing growth and productivity initiatives?**

**A:** If you go back to 1968 when I first hired in at Boeing, in Renton we were building 727s on the order of 12 or 14 airplanes a month and we had about 30 airplanes in the flow. We had inventories stored everywhere, and we had engineering separated from the factories.

Today if you walk over to Renton, we're now producing 737s at more than twice that rate, with only about 12 airplanes in flow. You'll find teams of engineers and

mechanics working together to define better ways to build the airplane, so it can be built in less time with higher quality and it's easier to maintain. Those are the benefits you get out of Lean+. You really start behaving as a team with a common goal—and that is to create better value for our customers.

**Q: How do you view Airbus as a competitor?**

**A:** Airbus is, and has been, a very strong competitor. Over the last two years, a lot of people thought they were in trouble. At the most senior levels, clearly they were distracted. But at the lower levels they continued to understand what they needed to do to compete effectively with us. The Power 8 Program they put in place is an example of how they continued to drive Lean ideas back into their production systems.

They are going to come out of this current challenge very strong. We can't relax for a minute if we are going to maintain the lead that we built over the last several years.

We must do better tomorrow than we are doing today.

**Q: What's your assessment of our services business?**

**A:** Our secret weapon in Commercial Aviation Services is Lou Mancini (vice president and general manager of CAS). Lou comes from years and years of experience on the airline side of this business. That allows him to define market opportunities that are not tied to the production of airplanes but are tied to keeping the airplanes in service.

Materials management has been a big payoff for us. And what we are doing with the Electronic Flight Bag improves the way the airlines operate. The acquisition of Aviall allows us to get into the parts repair and overhaul side of the business. All of these are positive steps—building blocks in growing a response to a market that is asking for consolidation to take place. As that takes place, it will create new opportunities for us. ■

**It's all about people**

One of Scott Carson's top priorities has been to get out of the office and meet employees on the job—first, second and third shift.

What's impressed him most from these experiences? "That we're more alike than we are different," Carson said without hesitation. "I mean, we all have the same aspirations: to be valued as human beings, for our ideas to be valued, for people to ask and then care about how we respond."

Carson recalled meeting an employee at the Fabrication site in Auburn, Wash., who had worked 27 years on third shift. "He said this is the greatest company in the world that gives me the opportunity to go back and get an education," Carson said. The employee was earning a graduate degree, and he told Carson that third shift worked out ideally with his schedule.

"These are some of the smartest people. They have great creativity and great pride in the company," Carson added.

As for BCA's customers, "they clearly like the products," Carson said. "But what they remember when they come to Seattle is how they are treated."

He noted that Shared Services Group drivers, who support airline customers when they're in Seattle, exemplify what customers like best about Boeing employees.



MARIAN LOCKHART PHOTO

During a visit to the Everett, Wash., factory, BCA President and CEO Scott Carson chats with Paul Roan, 767 mechanic, who explains recent process improvements on the 767 Program.

"I've had more people tell me about the men and women in the red shirts—the drivers who pick them up at the airport, take them from the factories or office areas back to the airport," Carson said. "The men and women in red are described as the greatest ambassadors of the company because of their pride in what our company does."

The primary job for everyone at Boeing, Carson

said, is to "recognize that tomorrow we have to find better ways of doing those very good things we do today. And the day after that, we'll have to improve on those. Getting to where it is a culture where change is embraced and accepted as a necessary part of a continuous improvement model, where Lean is embedded in the way we think about our tasks for today or our tasks for tomorrow—that's where we need to go."