

Internal message sent to Boeing employees Thursday, Nov. 20:

ExCo: Boeing positioned well; must focus on cost, competitiveness in 2009

Boeing's Executive Council, meeting this week to review the company's long range business plan, confirmed the overall health and strength of Boeing's business and financial position, but also agreed that the current business environment and global economic situation will require additional cost control and some employment reductions in 2009.

"We are fortunate to have a record backlog of orders in our commercial and military businesses that provide us the foundation for weathering what clearly has become a more challenging business environment," said Chairman, President and CEO Jim McNerney. The challenges the company faces for 2009 include delayed contract awards and program completions, controlling costs to fund development programs, expectations for moderating defense spending, and the potential impact of a global recession on the airline industry.

"To protect the competitiveness and innovation responsible for building our record backlog - and to best serve our customers - we must respond aggressively to these business realities," McNerney said.

Rick Stephens, senior vice president of Human Resources and Administration, said organizations across the company are already taking steps to deal with the tougher business environment -- including cutting discretionary spending, reviewing work statements and staffing levels, and accelerating productivity projects. Stephens said that after several years of steady employment growth, he expects overall employment will decline in 2009.

"As evidenced by the announcement yesterday in Wichita, we do expect to see some employment decreases starting in early 2009," said Stephens. "Where reductions occur, we will do everything we can to mitigate the impact on our team through natural attrition, release of outside contract hires and job transfers within Boeing."

Any potential employment impacts will vary by business unit and function depending on the steps required to meet an organization's specific business plan. Details will be shared by local leaders as those plans are finalized, Stephens said. While no firm estimate has been made, the employment decline could exceed Boeing's average annual attrition rate of 4 to 5 percent and will be composed of a mix of normal attrition, hiring freezes and layoffs.

Aviation Week & Space Technology magazine reported this week that Boeing is not alone in taking action to address a tougher business climate. Companies throughout the aerospace industry are bracing for a more difficult 2009 by cutting costs, eliminating unneeded capacity and trimming employment levels. In an Oct. 1 "Our Flight Plan," McNerney said Boeing, too, was looking closely at its business plan for 2009 "to ensure that our plans going forward are strong enough to withstand a more difficult environment than we had previously assumed."

Source: Boeing