

## 16.812 Journal Entry

Aware of the summer 2003 ethics violations at Boeing Launch Systems in which two former Lockheed Martin employees used proprietary documents from the Atlas program for the Delta program, this seems to be a particularly bad time for Boeing and its credibility to its number one customer: the U.S. government. Professor Murman identified the root cause of this most recent controversy as the \$17 billion tanker lease. There is a clear conflict-of-interest for government officials who maintain financial ties in the private sector while also serving in a policymaking capacity for the same industry. In this case, Druyun's financial stake in Boeing was a job and her conflict-of-interest stems from her ability to presumably influence procurement of Boeing products.

A host of issues were raised by reading between the lines in the press release, including the true awareness of the other executives of the events surrounding the Druyun hiring (especially given the resignation of CEO Phil Condit a week later), the unsettling recent-history of Boeing and ethics issues, and the potential connection between the firing of the CFO and the fiscal shape of the corporation. My group questioned the authority of the "Office of Internal Governance" to effect positive ethical change in Boeing business practices.

All in all, I found this case to be a fascinating introduction to a rapidly maturing industry where post-Cold War consolidation has taken its toll on corporate profits. With a declining number of tradition aerospace programs to bid on, I guess that it makes sense that unsavory business practices would increase in frequency. It should be interesting to observe how the government punishes Boeing. Perhaps the procurement of the 100 tankers will be delayed or reduced? Surely the punishment won't be too severe. In order to maintain some degree of competition in the aerospace industry, the government may need Boeing to remain viable against Lockheed Martin and Raytheon as much as Boeing needs the government to stay in business.