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Analysts: Boeing needed a CEO change, but is David Calhoun right pick?

By [Andrew McIntosh](#)
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Boeing badly needed a new CEO, but aerospace analysts said Monday that the choice the jet maker made may not be the right man to pull the global aerospace giant out of a monthslong crisis.

CEO [Dennis Muilenburg](#) resigned Monday and will be replaced on Jan. 13 by Boeing board Chairman [David Calhoun](#), a 61-year-old Blackstone Group fund manager and [General Electric](#) executive.

Analysts applauded Muilenburg's forced exit — AirInsight's [Ernest Arvai called for it in October](#) — but expressed skepticism that his replacement will change the company.

"Calhoun has been on the board 10 years. The roots of Boeing's current crisis includes decisions made by the board," Leeham's [Scott Hamilton](#) said. "Is Calhoun, an insider, the right person to pull Boeing out of its dive?"

Boeing's board decided Muilenburg had to go "to restore confidence in the company moving forward as it works to repair relationships with regulators, customers, and all other stakeholders."

"The jury is out on whether [David Calhoun](#) can turn around the misfortunes plaguing Boeing," [Arvai added](#). "He has promised to improve transparency, which is a good starting point."

Boeing has been in crisis mode for most of this year, triggered by two 737 Max jet crashes that killed a total of 346 people.

The second crash in March prompted aviation regulators around the world to ground the plane, and it hasn't flown a commercial flight since. The troubles have [cost the company billions of dollars](#) — and [employees their bonuses for 2019](#) — and prompted several leadership shakeups in the company.

Muilenburg was [stripped of his board chairman title](#) this summer, [Kevin McAllister replaced by Stan Deal](#) as [head of Boeing's commercial airplanes unit](#), and [Lynne Hopper](#) and [Beth Pasztor being moved into key roles](#).

The Federal Aviation Administration has given no indication as to when the Max will be cleared to fly again, and airlines have [pulled the plane from their schedules into the second quarter of 2020](#). Through all of the troubles, Boeing continued to make the jets at its Renton factory. That changed recently, with the announcement that production of the Max [will be suspended in January](#).

Last month, Hamilton noted, [Calhoun endorsed Muilenburg publicly](#), saying that his CEO had done "everything right." The opposite is true, [Hamilton argues](#), saying the 737 Max crisis only snowballed under Muilenburg and by extension, Calhoun, for several reasons including:

- Deadlines were repeatedly missed forecasting an early 737 Max return to service;
- Public relations responses were awful;
- Muilenburg's performance in congressional hearings was "terrible" and relations with families of victims were "mishandled;"
- Relations with the Federal Aviation Administration, airlines and leasing companies were also botched.

In a case filed last week for \$185 million in damages, Timaero Ireland Ltd. alleged in court documents that the 22 Maxes it ordered "are now either [worthless or seriously diminished in value](#)."


Arvai pointed out that problems plague almost every Boeing program — including engine problems and the delay of the 777X and the delay and brief ban from carrying cargo or passengers of the KC-46 tanker — so new leadership was clearly required.

"Cultural change needs to enable engineers to override cost cutting if safety is involved without retribution, and a focus on building the best and safest products possible," he wrote. That isn't the case today, and Calhoun's private equity background and GE training suggests that the needed cultural change is unlikely, given his current focus on shareholder value rather than business fundamentals."

Not all analysts lambasted Muilenburg or doubted Calhoun's abilities, however.

CFRA's [Jim Corridore](#) told clients that although Muilenburg was incapable of guiding Boeing through the crisis, he "was excellent at financial growth, operational improvement and strategic planning."

"We think that new management will get a chance to get this plane back in the air and get the company operating normally in the first quarter of 2020," Corridore said.

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