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Boeing

What Investors Can Learn from a Cautionary Tale in Corporate Governance



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Key Takeaways for Investors

Strong financial performance can mask deep operational risk. Boeing's experience shows that robust earnings and strong stock performance can coexist with the buildup of severe operational and safety vulnerabilities. Financial metrics function largely as lagging indicators, rather than providing early warning of emerging risks. For years, markets rewarded Boeing even as safety shortcuts, supply-chain fragility, and workforce pressures intensified. When these risks surfaced, the crisis unfolded across three incidents—the Lion Air 737 MAX crash (October 2018), the Ethiopian Airlines 737 MAX crash (March 2019), and the Alaska Airlines 737-9 MAX door-plug blowout (January 2024)—resulting in 346 deaths in the two crashes, regulatory intervention, reputational damage, and an estimated $78 billion erosion in Boeing's relative market value.

Investor oversight is structurally constrained. Even highly sophisticated institutional investors struggled to detect Boeing's vulnerabilities in advance—not due to negligence, but because of structural features of modern capital markets. Passive and index-based investing limits firm-level monitoring across large portfolios, while persistent ETF inflows and monopoly-like market dominance of issuers such as Boeing can dull market discipline for large-cap constituents. Investors also depend on backward-looking, management-curated disclosures and third-party sustainability and governance metrics that often fail to capture operational culture or safety risk. As a result, investors alone are not well positioned to realistically serve as the sole line of defense against complex, slow-burn risks in high-hazard industries. Investors as owners are clear stakeholders of a company and should be positioned to foster accountability and good corporate governance. This paper also proposes that they would benefit from supporting other corporate stakeholders such as workers, communities, and consumers in this effort.

Board oversight failed where it mattered most. Boeing's experience highlights some of the practical limits of formal governance arrangements when they are not supported by appropriate structures, expertise, and information flows. For years, the Board operated without a dedicated safety committee, depended largely on management-provided information, and had relatively limited access to deep technical or engineering perspectives. While formal independence standards were met, independence in practice was shaped by information asymmetries and prevailing performance priorities, which may have reduced the Board's capacity to identify and escalate safety risks as early as possible.

Executive compensation reform matters but has limits. Executive pay is one of the few governance levers investors can influence consistently through voting and engagement, and it plays an important role in shaping managerial incentives. Long-term investors are increasingly criticizing short vesting horizons, complex performance share plans, and the heavy weighting of financial metrics that may reward near-term performance while deferring risk. Boeing's post-crisis compensation adjustments, including safety modifiers, represent progress but remain embedded in a framework dominated by three-year vesting and financially driven outcomes. Compensation reform can improve alignment at the top, but it cannot substitute for governance mechanisms that surface risk earlier and across the organization.

Multi-stakeholder governance can help address what markets and investors miss. Boeing's crisis highlights the value of governance models that embed risk detection closer to operational reality. Workers, communities, regulators, and customers often experience emerging problems long before they appear in financial disclosures or market prices. Multi-stakeholder governance models, such as workforce participation in corporate boards, strengthen internal feedback loops, support anticipatory risk management, and enhance institutional resilience in complex systems. Far from diluting accountability, well-designed stakeholder participation complements shareholder oversight by providing contextual, real-time intelligence that markets and investors alone cannot reliably access.

Worker voice is a critical source of risk intelligence. Among stakeholder perspectives, worker voice is particularly underutilized despite its proximity to daily operations, safety practices, and supply-chain stress points. Boeing's experience demonstrates the cost of marginalizing employee input, including via suppressed reporting channels and fear of retaliation. Evidence from Europe—most notably codetermination models at firms such as Airbus—suggests that structured worker participation can improve information flow, reduce agency costs, and support long-term stability without harming firm performance. Airbus's comparatively stronger record cannot be attributed to worker participation alone, but it illustrates how formal participation creates additional channels for surfacing operational concerns. While U.S. conditions differ, investors can support context-appropriate mechanisms to institutionalize worker voice as part of effective risk governance.

Implications for investor strategy. For long-horizon investors, Boeing's case highlights the need to rethink the tools used to exercise effective stewardship in highly diversified portfolios. Safety, workforce, and governance risks can be financially material even when markets do not immediately price them in, yet they are difficult to monitor through conventional disclosures alone. Investors can therefore focus on levers that embed risk detection and accountability within firms themselves—such as longer vesting horizons and safety-linked metrics in executive pay, board structures with relevant technical expertise, and governance arrangements that incorporate stakeholder and worker perspectives. These approaches are not merely normative aspirations, but practical mechanisms for managing systemic risk where deep firm-level monitoring is not scalable.

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Introduction

For decades, Boeing symbolized American engineering excellence and safety in commercial aviation. But in recent years, the company has become a case study in systemic failure that is critical to evaluate when it comes to corporate governance. Two fatal 737 MAX crashes in 2018 and 2019, followed by a 2024 emergency landing in which a door panel blew out mid-flight, have not only resulted in loss of life but shattered public trust, triggered criminal investigations, and exposed the fragility of Boeing's internal systems—the processes, structures, and mechanisms that enable the company to operate effectively and manage risk.

Boeing's crises were not simply the result of engineering flaws, but symptoms of a deeper corporate governance breakdown that is prevalent across companies and markets. A cultural shift toward financialization[1]— the growing dominance of financial motives and metrics in corporate decision-making—elevated metrics like earnings per share and prioritized short-term shareholder returns over operational integrity, innovation, and human safety. Directors and executives were incentivized to ignore red flags. Regulators like the Federal Aviation Administration (FAA), weakened in a society with ever-growing corporate power, allowed design flaws to go unchecked. The result was a fragmented oversight landscape and a culture of "organized irresponsibility."

Boeing's failures have raised urgent questions about the responsibilities of corporate boards, regulators, and institutional investors. They exemplify a broader legitimacy crisis facing many large institutions, where repeated instances in which those with power have escaped meaningful accountability have steadily eroded public trust. Boeing's case stands out not only because of its scale and visibility, but also because it crystallizes why that mistrust is often justified: a culture of impunity, diluted oversight, and incentives misaligned with public safety allowed serious risks to go unaddressed until lives were lost.

Boeing's case is not an outlier; it is a warning. It illustrates how traditional corporate governance has proven systemically insufficient for managing the complex, long-term risks facing markets, investors, consumers, workers, and communities alike. This paper offers a systemic diagnosis of what went wrong at Boeing, tracing the company's strategic drift, labor relations, regulatory capture, financial incentives, and governance failures.

For institutional investors, the case highlights a fundamental limitation: across highly diversified portfolios, meaningful due diligence and corporate engagement faces barriers at scale. This challenge is not unique to one company. Across industries, financial disclosures—including sustainability and governance-related metrics—and top-down governance reports tend to be backward-looking, high-level, and missing critical nuance, offering only limited insight into operational risks and underlying corporate cultural risks that shape day-to-day decision-making. To navigate this gap, investors may benefit from governance mechanisms that generate insight from those with the clearest view of emerging risks inside firms and across supply chains.

1 Financialization is a term that is widely used but inconsistently defined in various areas of academic literature (such as political economy, sociology, finance, law), often to describe a structural transformation of advanced economies over the past four decades. Broadly, it refers to the growing dominance of financial motives, markets, actors, and institutions across both the economy and society. Greta Krippner defines financialization as the "pattern of accumulation in which profit making occurs increasingly through financial channels rather than through trade and commodity production"; see Greta R. Krippner, *Capitalizing on Crisis: The Political Origins of the Rise of Finance* (Cambridge, MA: Harvard University Press, 2011), 4. More generally, the term is used to describe overlapping, mutually reinforcing trends: the relative decline of manufacturing and the rising share of corporate profits derived from financial activities—even within non-financial firms; the expansion of the financial sector relative to Gross Domestic Product; the proliferation of financial instruments and trading; rising private and public debt levels; and a shift in corporate governance norms toward shareholder primacy and short-term returns.

We conclude with a proposition that multi-stakeholder governance and meaningful workforce participation in corporate governance can serve as a corrective measure and a source of intelligence not just for Boeing, but across companies and markets in a manner that supports diversified institutional investors in managing similar risks across their portfolios.

History and Context

The roots of Boeing's challenges can be traced back to the late 1990s, particularly following its 1997 merger with McDonnell Douglas.[2] Empirical studies have consistently shown that a significant proportion of mergers and acquisitions (M&A) do not achieve their intended objectives. For instance, research indicates that approximately 70% to 90% of deals fail to realize their anticipated benefits,[3] typically due to a host of factors (poor strategic fit, overvaluation, poor execution, integration challenges, regulatory hurdles, etc.) that hinder value creation and operational synergy.

While the merger strengthened Boeing's market position as the dominant American aerospace company, it is widely regarded as also having accelerated the long-term erosion of its engineering-led culture and operational discipline. This is, for instance, the position of United Airlines Chief Executive Officer (CEO) Scott Kirby: *"My own assessment is that this goes all the way back to the McDonnell Douglas merger and it started a changing culture."*[4]

Though the integration aimed to leverage the strengths of each organization, with the newly formed Board comprising members from both companies, McDonnell Douglas's emphasis on financial performance introduced a cultural shift within Boeing. Richard Aboulafia, a longtime industry analyst and managing director at AeroDynamic Advisory, noted that *"After the merger, there was a real battle over the future of the company, between the engineers and the finance and sales guys."*[5] The new leadership prioritized cost-cutting, outsourcing, and shareholder returns over operational sustainability and the commitment to engineering excellence that had long defined the company. Gradually, McDonnell Douglas executives would come to assume disproportionate influence over top management and capital allocation decisions.

In 2001, CEO Philip Condit moved Boeing's headquarters from its original home in Seattle to Chicago. The move, designed to gain $60 million in state and local tax credits over 20 years, physically separated corporate executives from Seattle-based engineers.[6] The rationale was to preserve strategic focus at the corporate level by removing physical proximity to core operations, which entangled executives in day-to-day matters.[7] (Note that one of current CEO Kelly Ortberg's first decisions was to resume working out of Boeing's offices in Seattle.[8])

After Condit resigned in 2003, he was replaced by former McDonnell Douglas executive Harry Stonecipher, who had begun his career at General Motors and was heavily influenced by Jack Welch. The Board expressed

2 Boeing, "Boeing Completes McDonnell Douglas Merger," press release, August 4, 1997.
3 Clayton M. Christensen et al., "The New M&A Playbook," *Harvard Business Review*, March 2011; Baruch Lev and Feng Gu, *The M&A Failure Trap: Why Most Mergers and Acquisitions Fail and How the Few Succeed* (Hoboken, NJ: Wiley, 2024).
4 Chester Dawson, "United CEO Blames Boeing for MAX 9 Missteps, Wants Faster Fix," *American Journal of Transportation*, January 2024.
5 As quoted in James Surowiecki, "Requiem for a Dreamliner," *The New Yorker*, January 2013.
6 William W. George, "Why Boeing's Problems with the 737 MAX Began More Than 25 Years Ago," *Harvard Business School Working Knowledge*, January 2024.
7 As quoted in Jerry Useem, "The Long-Forgotten Flight That Sent Boeing Off Course," *The Atlantic*, November 2019.
8 Chris Isidore, "Boeing's New CEO Is Already Making an Overdue Change His First Day on the Job," *CNN Business*, August 2024.

unanimous confidence in the company's "transformation strategy," "excellent financial condition," and in the new leadership's ability to focus on performance.[9] Reflecting on his tenure, Stonecipher proudly took credit for the continued shift in culture: "*When people say I changed the culture of Boeing, that was the intent, so that it is run like a business rather than a great engineering firm.*"[10]

> ***"When people say I changed the culture of Boeing, that was the intent, so that it is run like a business rather than a great engineering firm."***
>
> HARRY STONECIPHER, FORMER BOEING CEO

Many of these 'business-first' measures such as outsourcing, cost cutting, or increasing speed to market are rooted in a management philosophy that advocates for decisions driven by metrics, efficiency, and financial returns—influenced by the Chicago School of Economics and popularized by consulting firms like McKinsey & Co., or business leaders such as Jack Welch. Over the years, Boeing and its leaders have been explicit about prioritizing financial metrics and shareholder returns. Jim McNerney (CEO, 2005–2015) vowed that Boeing would keep returning significant cash to shareholders, about 80% of free cash flow.[11] Dennis Muilenburg (CEO, 2015–2019) recorded results tied to "greater cash return to shareholders."[12] David Calhoun (CEO, 2020–2024), in his 2023 address to shareholders, emphasized that "our ability to generate positive full-year cash flow for the first time since 2018 … was an important metric in our recovery and it sets us on a good path to achieving the $10 billion of free cash flow."[13]

In academia, the view that increasing profits for shareholders is the primary goal of corporate governance has been generally described as "shareholder value maximization."[14] Importantly, this framework does not preclude consideration of other stakeholders; it permits (and often requires) managers to take account of employees, customers, communities, and the environment when doing so supports shareholder value. Investments in employee well-being, product safety, community relations, and environmental performance can protect reputation, lower regulatory and operational risk, and thereby enhance long-term shareholder returns. Strong financial metrics are not inherently at odds with sustainable innovation, operational integrity, or prudent risk management. Indeed, focusing on financial performance often keeps firms competitive, accountable, and innovative. However, sometimes corporate investments in these factors can reduce returns to investors in the short term, even if they foster stronger, more robust, and more resilient returns in the long term.

9 U.S. Securities and Exchange Commission, press release, December 2003.
10 As quoted in William W. George, "Why Boeing's Problems with the 737 MAX Began More Than 25 Years Ago," *Harvard Business School Working Knowledge*, January 2024.
11 See Alwyn Scott, "Boeing CEO Vows to Maintain Cash Returns to Shareholders," *Reuters*, February 2015.
12 Boeing, "Boeing Reports Record 2017 Results and Provides 2018 Guidance," press release, January 2018.
13 Boeing, "2023 Address to Shareholders," March 2023.
14 Milton Friedman's famous statement that "In [a free economy] there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game." Milton Friedman, *Capitalism and Freedom*, 40th anniversary ed. (Chicago: University of Chicago Press, 2002), 133.

> ***Even longer-term investors like pension funds often review performance on a quarterly, annual, or three-year basis, while some risks take longer to materialize.***

Investors often seek to ensure that corporate CEO compensation is aligned with shareholder financial value. Performance is often evaluated by companies and their investors—and incentives are often set—through short-term lenses. Executive compensation plans tied to performance are typically structured on a three-to-five-year basis.[15] Even longer-term investors like pension funds often review performance on a quarterly, annual, or three-year basis, while some risks take longer to materialize.

Even well-intentioned investors who evaluate companies against environmental, social, and governance criteria are intermediated and distant from companies in their portfolios. With so many companies operating across geographies in diversified portfolios, it can be difficult if not impossible to stay on top of emerging risks and encourage compensation structured on the right metrics, even with the best of disclosure. Furthermore, structural market shifts toward passive investing and corporate concentration may lend support to stock price valuation even when material risks do arise.

The incentives and performance reviews of the investors (including their timeframes) cascade down to companies. A focus on near-term financial value and producing "alpha" over a given financial benchmark in a three-to-five-year time frame can result in a counterforce that inhibits progress when it comes to longer-term corporate governance goals. At Boeing, the emphasis on short-term returns contributed to weakened internal systems and, ultimately, safety compromises.

Major cost-cutting initiatives included an ambitious global outsourcing strategy that would come to have severe repercussions for the 787 Dreamliner.[16] This led to the outsourcing of 70% of the design, engineering, and manufacturing (including entire sections of the plane) to 50 "strategic partners," resulting in a complex multi-tier supply chain with at least 500 suppliers located in over 10 countries.[17] This complexity amplified the likelihood of problems, which ultimately materialized through issues with lithium batteries.[18] The development program, originally estimated to complete in five years at only $5.5 billion, ultimately took nine years and cost $22 billion due to numerous delays, cost overruns, and quality control issues.[19] Other estimates range as high as $32 billion.[20]

> ***Even well-intentioned investors who evaluate companies against environmental, social, and governance criteria are intermediated and distant from companies in their portfolios.***

15 Long-term incentive plans are performance-based rewards that typically vest over a three-to-five-year period. See Onipe Yahaya, "Executive Compensation and ESG Performance," *SSRN*, October 2024
16 Kyle Peterson, "Special Report: A Wing and a Prayer — Outsourcing at Boeing," *Reuters*, January 2011.
17 Chris Tang, "The Merger That Brought Boeing Low," *Newsweek*, February 2024.
18 Jad Mouawad, "Report on Boeing 787 Dreamliner Battery Flaws Finds Lapses at Multiple Points," *The New York Times*, December 2014.
19 Omar Memon, "The Development Cycle and Cost of Modern Commercial Airliners," *Simple Flying*, January 2023.
20 Dominic Gates, "Boeing Celebrates 787 Delivery as Program's Costs Top $32 Billion," *The Seattle Times*, September 2011.

Under Stonecipher's leadership—and later, beginning in 2005, under his successor James McNerney, another former General Motors executive and the first Boeing CEO without an aviation background—Boeing increasingly prioritized maximizing returns from existing plane models rather than investing in new development, even when such investment was necessary to remain competitive. The company's most prominent failure in terms of its attempt to cut corners was the development and rollout of the 737 MAX in 2011, a project that was rushed to compete with rival Airbus. Against the advice of the head of commercial aviation, McNerney opted to upgrade earlier 737 models rather than go for a full hardware redesign, which would have required a new FAA certification process. Instead of addressing the aircraft's altered aerodynamics with new hardware, Boeing introduced a software workaround, a new automated flight control system called the Maneuvering Characteristics Augmentation System (MCAS).[21] This is the system that was involved in the two fatal crashes in 2018 and 2019, in both cases erroneously activating and forcing the plane into a fatal nose-dive.

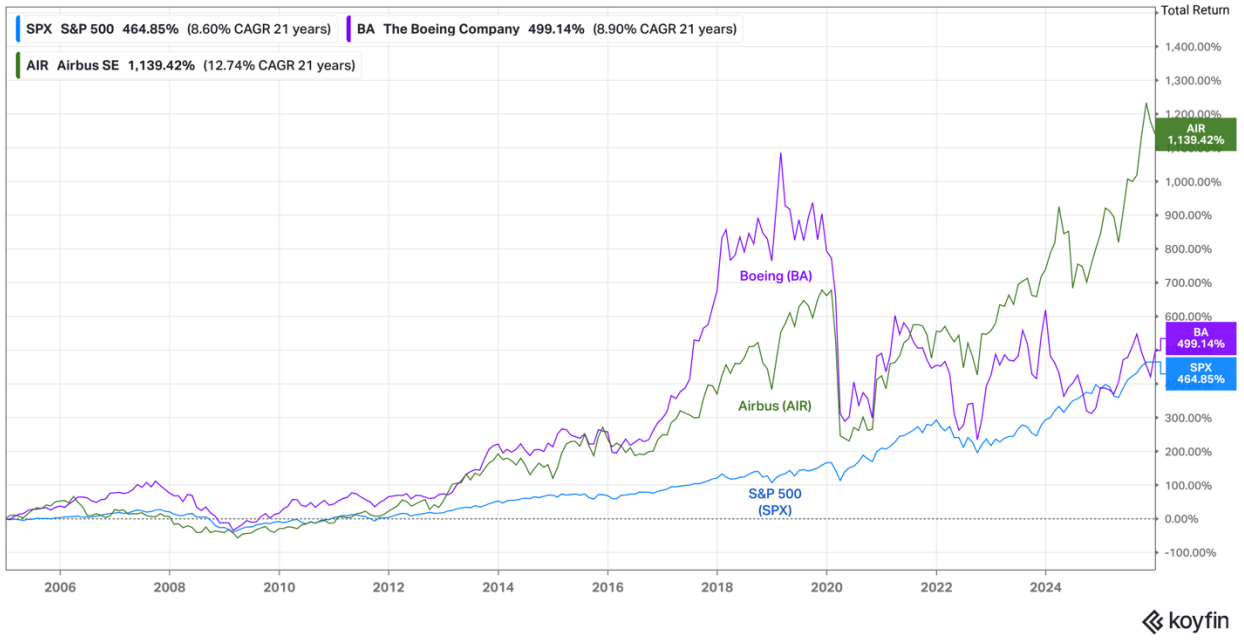
MCAS was built with design flaws: it relied on a single sensor, could repeatedly force the nose down on false readings, and lacked sufficient redundancies or safeguards.[22] The company had outsourced aspects of the software development to engineers in India, with some earning as little as $9 per hour.[23] While outsourcing might have exacerbated problems by making it harder to see integration risks, it wasn't the root cause—design flaws originating in core MCAS choices were Boeing's. After a November 2018 Boeing bulletin, the Allied Pilots Association and other pilot unions revealed that airline pilots had not been informed of the existence or risks of MCAS. This lack of disclosure led to widespread alarm among pilots, with one American Airlines pilot publicly expressing shock at discovering a critical system absent from manuals and training.[24]

Operational Risks Masked by Financial Metrics

Cost-cutting measures initially boosted the company's market capitalization and generated significant financial gains, reflected in strong shareholder returns and market capitalization growth. Between 2013 and 2019, Boeing paid out $17.4 billion in dividends and spent $43.1 billion in stock buybacks[25] but only $23 billion in research and development (R&D).[26] During that same period, it consistently outperformed the S&P 500.

21 Boeing, "737 MAX Software Update," corporate disclosure.
22 Mutsa Malunga et al., "Key Lessons from the Boeing 737 MAX 8 Accidents," Institution of Chemical Engineers, Loss Prevention Bulletin 287, October 2022
23 Bloomberg, "Boeing's 737 MAX Software Outsourced to $9-an-Hour Engineers," *Industry Week*, June 2019.
24 Lazonick, William, and Mustafa Erdem Sakinç. "Make Passengers Safer? Boeing Just Made Shareholders Richer." *The American Prospect*, May 2019.
25 From the first quarter of 2013 through the first quarter of 2019, Boeing paid out $17.4 billion in dividends, which represented 42% of its profits during that period, and an additional $43.1 billion on buybacks, carried out as open market repurchases, equal to a further 104% of profits. See Lazonick, William, and Mustafa Erdem Sakinç. "Make Passengers Safer? Boeing Just Made Shareholders Richer." *The American Prospect*, May 2019.
26 Author's calculations based on YCharts data.

Boeing, Airbus & S&P 500 Total Return (Jan 1, 2005 – Dec 31, 2025)



Source: Koyfin

However, the measures also introduced systemic vulnerabilities ranging from quality control lapses to increased supply chain complexity and strained labor relations. Between 2000 and 2020, the FAA flagged 20 violations for safety issues. For comparison, during the same period, it only cited Boeing's competitor Airbus for three violations.[27] The comparison is imperfect, however, since Airbus's primary safety regulator is the European Union Aviation Safety Agency (EASA) rather than the FAA. Over time, safety compromises resulted in billions in fines, delays, and safety failures.

This gradual accumulation of risk was not properly priced in by the market. Key financial indicators failed to capture the operational vulnerabilities building beneath the surface. Financial gatekeepers like credit rating agencies fared no better. Though there were prior credit downgrades reflecting concerns about the company's future performance and risks,[28] Boeing was only just recently at risk of losing its investment-grade credit rating for the first time in its history.[29] Financial markets are designed to efficiently aggregate and reflect available information, but as Boeing's case illustrates, significant risks can remain obscured for some time.

Operational and reputational risks are inherently difficult to quantify, often unfolding over long-time horizons with nonlinear dynamics. What may appear as minor inefficiencies and acceptable safety trade-offs can, once a breaking point is reached, quickly escalate into major crises. Although financial markets are often assumed, under the efficient market hypothesis, to aggregate and price available information, they can only reflect risks that are observable, credibly disclosed, and legible to investors. In cases like Boeing's, critical operational and

27 *In re The Boeing Company Derivative Litigation*, C.A. No. 2019-0907-MTZ (Del. Ch. Sept. 7, 2021).
28 For instance, in 2019 both S&P Global and Moody's downgraded Boeing's credit rating due to production halts and risks to Boeing's supply chain. See Tomi Kilgore, "Boeing's Credit Rating Downgraded at S&P Global Ratings," *MarketWatch*, December 2019; Reuters, "Moody's Cuts Boeing's Debt Ratings as 737 MAX Problems Deepen," *Reuters*, December 2019.
29 National Association of Manufacturers, "Boeing Strike Is Poised to Have Significant Economic Consequences Across the United States," press release, October 2024.

cultural warning signs remained largely internal, filtered through layers of management, reporting, and intermediation, and thus failed to surface in market prices. As a result, investors systematically underpriced these risks until a triggering event forced a sudden reassessment of the company's fundamentals, producing the sharp correction in the aftermath of the accidents.

> ***Financial markets can only reflect risks that are observable, credibly disclosed, and legible to investors.***

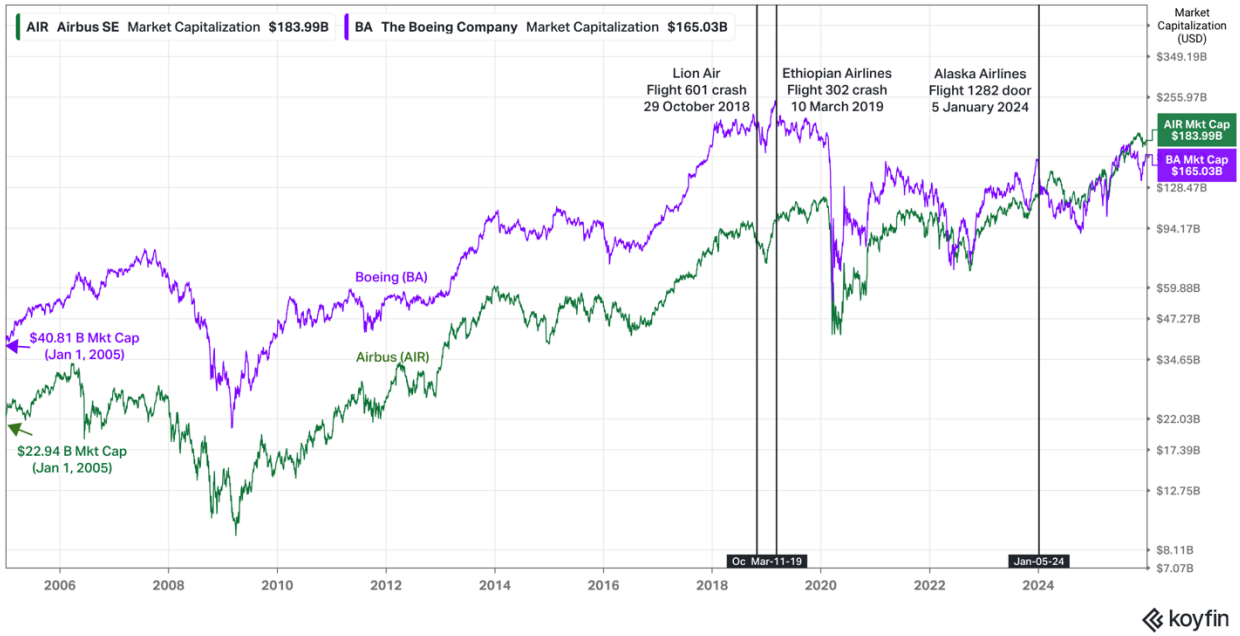
The incidents damaged the brand and the company's relationships with customers, regulators, and the public. Commercial reputation can take years or even decades to establish and once broken is incredibly difficult to restore. The sharp decline in air travel brought about by the Covid-19 pandemic further contributed to lowering Boeing's income and cash flow. The stock price suffered in response to these difficulties, and Airbus was able to capitalize on Boeing's missteps. By the end of 2023, its order book was 40% larger than Boeing's.[30] In 2024, Airbus maintained its larger share of the market.[31]

Boeing is now on a rebound trajectory, with rising aircraft deliveries, a robust order backlog, and a recovering stock price. This resurgence is bolstered by limited competition and political backing given Boeing's monopoly status in the U.S., limited competition beyond Airbus and Embraer globally, and its resulting strategic importance to U.S. industrial policy. Through diplomatic channels, Boeing secured a record-setting $96 billion deal for Dreamliner and 777X orders from Qatar, positioning the company to reclaim global market share and reputational strength.[32] In the first half of 2025, Boeing delivered 280 aircraft and secured 625 new orders, outpacing Airbus in new bookings.[33] Through the first nine months of 2026, it delivered 475 commercial aircraft.[34] Despite its recent failures, the company is starting to regain industry traction.

However, the impact of the accidents on market capitalization has been both real and enduring. On January 1, 2005, Airbus and Boeing together had a combined market capitalization of $63.71 billion, with Boeing accounting for about 64% ($40.81 billion). By January 2018—just before the accidents—the combined value had risen to $254.07 billion, and Boeing's share had increased modestly to roughly 69.6% ($176.79 billion). By December 31, 2025, however, Boeing's market capitalization stood at $165.03 billion, representing just 47.3% of the combined $349.02 billion total. In effect, Boeing gained about 5.5 percentage points of the duopoly's market value between 2005 and 2018, but then lost over 22 percentage points between 2018 and 2025. Had Boeing merely maintained its pre-crisis share, its market capitalization would have been nearly $243 billion at the end of 2025, implying a shortfall of roughly $78 billion. This is an illustrative comparison rather than a causal estimate: it does not separate the effect of Boeing's safety and governance failures from other factors, such as the COVID-19 pandemic and differences in production capacity and financial performance.

30 Alexander Mitchell "Airbus vs. Boeing: Who Won 2023?" *Simple Flying*, December 2023.
31 Reuters, "Airbus Keeps Top Spot with 766 Jet Deliveries in 2024," *Reuters*, January 2025.
32 Andrew England and Claire Bushey, "Qatar Orders up to 210 Boeing Jets During Donald Trump's Visit," *Financial Times*, May 2025.
33 Dan Catchpole, "Boeing Deliveries Jump to 60 in June," *Reuters*, July 2025; Reuters, "Airbus Says It Delivered 306 Airplanes in First Half," *Reuters*, July 2025.
34 Boeing, "Boeing Announces Third Quarter Deliveries," press release, October 13, 2026.

Boeing & Airbus Market Capitalization (Jan 1, 2005 – Dec 31, 2025)



Source: Koyfin

The lesson from Boeing is that shareholder and non-investor stakeholder interests are not inherently opposed; they are interdependent to deliver sustainable long-term returns. An excessive focus on short-term financial metrics—particularly stock price—can generate firm-level risks in industries where sustained investment in safety, resilience, and innovation is essential. This point was eventually acknowledged even by the Business Roundtable, whose 2019 statement on corporate purpose[35]—signed by Boeing's then-CEO Dennis Muilenburg and widely debated—later clarified that creating "long-term value for shareholders" requires meeting the fair expectations of customers, employees, and communities.[36]

What Regulators Missed

A central regulatory failure in the 737 MAX crisis was the FAA's growing reliance on Boeing to self-certify the safety of its own aircraft. Through the Organization Designation Authorization (ODA) program, the FAA delegated to manufacturers like Boeing the authority to conduct certain certification tasks and issue certificates on its behalf. In the case of the 737 MAX, Boeing was responsible for certifying aspects of its own aircraft, including the flawed MCAS. This arrangement is now under intense scrutiny for weakening the integrity of the certification process. According to a report by the U.S. Department of Transportation, while the FAA's certification team was aware that Boeing had made substantial changes to the MCAS, it did not focus on the system during review because Boeing did not flag it as significant.[37] As a result of this structural

35 The Business Roundtable is an association of 192 CEOs from major U.S. corporations which put forward in 2019 a statement redefining the purpose of a corporation to serve all stakeholders and calling on corporate leaders to serve the needs of a broad group of constituencies including employees, customers, suppliers, communities, and the environment alongside investors. Business Roundtable, "Business Roundtable Redefines the Purpose of a Corporation," August 2019.

36 Business Roundtable, "Redefined Purpose of a Corporation: Welcoming the Debate," August 2019.

37 U.S. Department of Transportation, Office of Inspector General, "Weaknesses in FAA's Certification and Delegation Processes Hindered Its Oversight of the 737 MAX 8," February 2021.

conflict of interest, the FAA lacked a complete understanding of the system's design and potential failure modes until after the first fatal crash.

> ***In the case of the 737 MAX, Boeing was responsible for certifying aspects of its own aircraft, including the flawed MCAS.***

While regulators did eventually identify significant problems with the company, their oversight was reactive rather than proactive, which allowed critical issues to escalate before intervention. This regulatory passivity may have been reinforced by Boeing's extensive lobbying and political spending. Between 1998 and 2023, Boeing spent $328 million on federal lobbying, consistently ranking among the top corporate spenders in Washington.[38] The company also maintains close relationships with lawmakers through campaign contributions and a revolving door with federal agencies. These efforts may also have helped shape regulatory frameworks—such as the ODA program that enabled Boeing to self-certify key components—and potentially shielded the company from more aggressive oversight and accountability.

> ***Between 1998 and 2023, Boeing spent $328 million on federal lobbying, consistently ranking among the top corporate spenders in Washington.***

Board-level workforce representation could help inform the oversight of this political spending. Boards are responsible for overseeing corporate political activity, and workforce directors would bring a perspective grounded in the production floor to that oversight. They could help test whether lobbying priorities, such as expanding manufacturers' authority to self-certify their own aircraft, serve the company's long-term interest in safety and product integrity, or mainly reduce near-term compliance costs.

Boeing's political insulation is particularly consequential given Boeing's dominant position in the global aerospace market. Together with Airbus, Boeing controls roughly 90% of the commercial aircraft sector, leaving governments and airlines with few alternatives.[39] Boeing's market dominance, particularly in the U.S., is underpinned by its close relationship with the federal government, which depends heavily on the company for defense contracts, space exploration initiatives, and domestic aerospace innovation. For example, in 2022, the Pentagon awarded Boeing contracts totaling $14.8 billion.[40] In 2023, around 37% of Boeing's revenue was derived from U.S. government contracts, including foreign military sales, ensuring a steady stream of income.[41] According to Richard Aboulafia, this heavy reliance minimized the risk that the company would end up losing its government contracts.[42]

The deep entwinement may have fostered a sense of complacency, with the company relying on an implicit assumption that its central role in the government's supply chain and its market share would shield it from

38 U.S. Securities and Exchange Commission, Notice of Exempt Solicitation, April 2023.
39 Oliver Gill, "'No Pension, No Planes': The $1bn-a-Month Strike Grounding Boeing," *The Times* (London), October 2024.
40 Ibid.
41 Alex Blair, "Boeing Pleads Guilty: What Next for Its Government Contracts?," *Airforce Technology*, July 2024.
42 Chris Isidore, "Boeing Agrees to Plead Guilty to Defrauding the FAA," *CNN*, July 2024.

significant financial or reputational fallout. These dynamics could have created an expectation of an implicit floor on shareholder losses, weakening incentives for investors to treat safety failures as financially material risks.

In the wake of the two fatal crashes, which led to a 20-month grounding of the jets, and to a series of federal investigations and criminal charges, including a conspiracy to defraud the FAA, this complacency appeared to be validated when, under a 2021 Deferred Prosecution Agreement (DPA), Boeing avoided criminal conviction by agreeing to pay $2.5 billion in a settlement with the Department of Justice (DOJ), thereby preserving its ability to secure future government contracts.[43]

The regulatory and legal leniency was called into question again after the January 2024 door plug blowout incident, which revealed Boeing's ongoing failure to implement robust safety and compliance measures. The DOJ determined that Boeing had violated the terms of its DPA. In July 2024, Boeing agreed to plead guilty to a felony fraud conspiracy as part of a plea deal, but the deal was rejected by Judge O'Connor of the Northern District of Texas because families had objected to it.[44]

Ultimately, in May 2025, Boeing and the DOJ negotiated a new Non-Prosecution Agreement (NPA) that enabled the company to avoid a guilty plea altogether.[45] While the agreement included over $1.1 billion in penalties and investments, it was sharply criticized—particularly by victims' families—as emblematic of the broader pattern of regulatory capture and corporate exceptionalism.[46] In November 2025, Judge O'Connor granted the DOJ's motion to dismiss the criminal charge, and in 2026 the Fifth Circuit rejected the families' efforts to revive the case.[47] In effect, the same dynamics that weakened FAA oversight also potentially shaped the DOJ's prosecutorial choices, reinforcing the perception that in addition to being too big to fail, Boeing may also be too big to jail.

> ***In addition to being too big to fail, Boeing may also be too big to jail.***

Labor Relations and Workforce Marginalization

After the second accident in March 2019, a small committee of Boeing's Board conducted interviews with employees, safety experts, and leaders from other industrial firms to assess how the company could strengthen its design and manufacturing processes to produce safer airplanes. One of their report's key findings highlighted the role played by Boeing's engineering reporting structure in the lead up to the accidents, which placed engineering under the authority of financial and business executives and priorities.[48] Senior engineers answered first to business unit leaders for each airplane model, with only secondary accountability to Boeing's chief engineer. This created a conflict, as engineers who raised issues that could

43 Mark Walker and Glenn Thrush, "Boeing May Evade Criminal Charges for Violating Settlement," *The New York Times*, June 2024.
44 United States v. The Boeing Company, U.S. District Court, Northern District of Texas.
45 U.S. Department of Justice, United States v. The Boeing Company, case materials.
46 Niraj Chokshi, "Boeing Strikes Deal to Avoid Criminal Responsibility for 737 MAX Crashes," *The New York Times*, May 2025.
47 Associated Press, "US Appeals Court Denies Bid from Families of Boeing 737 Max Crash Victims to Reopen Criminal Case," March 31, 2026; see also *Ryan v. United States*, No. 25-11254 (5th Cir. May 22, 2026).
48 Natalie Kitroeff and David Gelles, "Boeing Board to Call for Safety Changes After 737 MAX Crashes," *The New York Times*, September 2019.

delay production risked pushback from executives focused on meeting deadlines. The committee recommended reversing the reporting structure so that top engineers would report primarily to Boeing's chief engineer, with business unit leaders serving as secondary supervisors.

The accidents and subsequent investigations revealed that Boeing did not regard its workforce as a partner for safety. Employees were not even receiving proper training on updates to the internal manual outlining the framework for managing safety risks across the company's products and services (called the Safety Management System), even as it was being completely overhauled.[49] After the 737 MAX crashes, whistleblowers came forward with allegations of ethical breaches, including the off-the-books use of flawed parts, inadequate safety training, and plane assembly procedures that did not meet Boeing's own standards (e.g., drilling holes slightly larger than specifications).[50] Many workers have since reported fear of retaliation and not feeling empowered to report quality control issues and safety concerns that perhaps could have prevented accidents.[51]



An Airbus A330 at the gate. Photo: Cynthia Lawson Jaramillo.

The comparison with Airbus is worthwhile. While no company is immune from labor tensions or production pressures, Airbus operates within a governance ecosystem that differs meaningfully from Boeing's in ways that shape internal culture and worker voice. Airbus is headquartered in Europe, where many jurisdictions mandate employee involvement in corporate decision-making. In Germany, large companies operate a two-tier structure: a management board runs the business, while a separate supervisory board appoints, oversees, and can dismiss management and approves major strategic decisions. Under codetermination law, employees hold one-third of supervisory board seats in companies with more than 500 employees and half in companies

49 Chris Isidore and Gregory Wallace, "Aviation Safety Panel Finds Boeing Culture Included Safety Gaps," *CNN*, February 2024.
50 Gregory Wallace, "Former Boeing Inspector Alleges Scrap Parts Ended Up on Assembly Lines," *CNN*, July 2024; Gabe Cohen et al., "Whistleblower warned Boeing of flaws in 787 planes that could have 'devastating consequences'," *CNN*, July 2024.
51 Pete Muntean, "FAA Finds Multiple Instances of Boeing Quality Control Issues," *CNN*, March 2024; Chris Isidore and Gregory Wallace, "Aviation Safety Panel Finds Boeing Culture Included Safety 'Gaps,' Fear of Retaliation," *CNN*, February 2024.

with more than 2,000, with the shareholder-side chair holding a casting vote. Employee representatives sit on the supervisory boards of Airbus' main German subsidiaries, including Airbus Operations GmbH.[52]

German codetermination is only one model of worker participation in corporate governance. Models differ in the body on which workers sit (a unitary board or a separate supervisory board), how participation is established (mandated by law, available as a right the workforce can choose to exercise, or adopted voluntarily), how worker representatives are selected (direct election by the workforce or nomination by a union), and where participation applies (all large companies or only state-owned enterprises).[53]

The parent company, Airbus SE, a European company (Societas Europaea) registered in the Netherlands and governed by Dutch law, has no employee representatives on its board. Worker voice instead operates at other levels. Airbus' SE Works Council, established when the company became a European company in 2015 and building on the group's earlier European Works Council, functions as a formal body for transnational communication and consultation between management and employees.[54] The SE Works Council must be informed and consulted on major matters affecting employees in at least two countries, such as restructurings, site reorganizations, and significant changes in employment. While its opinions are not binding, this institutionalized consultation mechanism can create expectations of transparency and dialogue that shape management behavior. It also provides workers with a collective platform that goes beyond the plant-level or national union structures.

Furthermore, Airbus operates in an environment where collective bargaining coverage is extensive and labor unions retain significant influence, especially in Germany and France, the company's core production bases. This does not eliminate conflict: Airbus has faced strikes, disputes over workload and job security, and criticisms regarding outsourcing or cost-cutting.[55] But structurally, the governance model recognizes employees as stakeholders with rights to information, consultation, and participation. These arrangements create additional channels through which workforce concerns can reach management and supervisory bodies, potentially making operational warnings harder to sideline and lowering the personal risk of raising safety or quality issues compared with corporate environments where management has wide discretion and worker protections are weaker. This is not to say that stronger worker voice guarantees safety: Airbus, too,

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52 IG Metall Küste, "IG Metall Küste zum Führungswechsel bei Airbus," May 29, 2026, identifying the union's district leader, Daniel Friedrich, as a member of the supervisory boards of Airbus Operations GmbH and Airbus Aerostructures GmbH. Under German codetermination law, the employee side of the supervisory board of a company with more than 2,000 employees comprises both company employees elected by the workforce and a set number of trade union representatives; as a union official, Friedrich sits as a union representative. By contrast, Airbus' main French operating company, Airbus Operations SAS, is a simplified joint-stock company (société par actions simplifiée) whose registered governance consists of a president rather than a board of directors. France's requirement to appoint employee directors to the board (Code de commerce, art. L225-27-1), which applies to companies with at least 1,000 employees in France, attaches to the boards of sociétés anonymes and does not extend to SASs (Code de commerce, art. L227-1, as amended by Ordonnance n° 2023-1142 of 6 December 2023), so it does not apply despite the company's size.

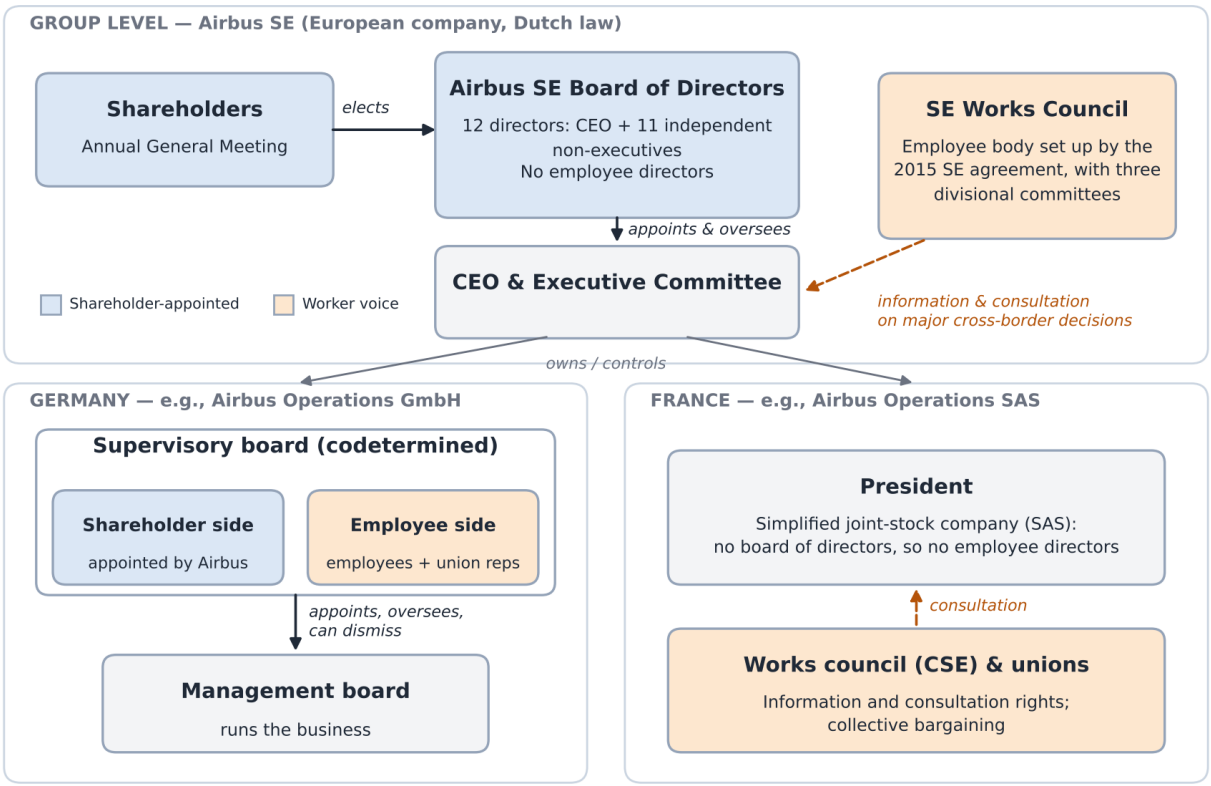
53 For a comparative overview, see Tom Powdrill, "The Spectrum of Worker Participation in Corporate Governance," Predistribution Initiative Discussion Paper, October 2026.

54 "Airbus Group: Agreement on Employee Involvement in the SE (European Company)," *Mind RH*, March 23, 2015. The agreement established an SE Works Council and three divisional committees (corresponding to Airbus, Defense & Space, and Airbus Helicopters) with information and consultation rights.

55 For example, in December 2024, French aerospace workers at Airbus walked off the job for a brief strike called by the Confédération Générale du Travail (CGT) union in protest against cuts of more than 1,500 positions in the company's Defence and Space division, including 424 jobs in Toulouse (Reuters, "French union calls for strike over space job cuts," *Reuters*, December 2024). In October 2022, thousands of Airbus workers at multiple German sites, including the Hamburg plant, staged short warning strikes of up to four hours as part of broader labor action called by German union IG Metal Kueste over pay and working conditions. Reuters, "German union calls for strikes at Airbus, other companies," *Reuters*, October 2022.

has faced mounting scrutiny over toxic "fume events" in aircraft cabins, an issue raised most forcefully by airline crews rather than by the manufacturer's own workforce.[56]

Channels of Worker Voice at Airbus: Group Level vs. National Subsidiaries



Note: The diagram illustrates arrangements in Airbus' two largest home countries. Airbus also operates subsidiaries in other countries, where worker participation is governed by different national rules.

Source: The Predistribution Initiative, with the assistance of Claude (Anthropic)

Boeing, on the other hand, has no worker representation on the Board. This is not for lack of trying: Boeing's own workforce has called for a voice at the board level. When it opened contract negotiations in March 2024, just weeks after the Alaska Airlines door plug blowout, the International Association of Machinists and Aerospace Workers (IAMAW) District 751, which represents some 32,000 Boeing workers in Washington state, announced that it would seek a seat on Boeing's board. District president Jon Holden tied the demand directly to safety: workers, he argued, have "a unique ability to understand the production system," are "oftentimes the last line of defence," and want a say when leadership decides "to try and increase production rates," to make sure this is done "with the proper risk management assessments."[57] However, the demand has not yet succeeded. Nor was this the first such call. In 2019, the president of the Society of Professional

56 Fume events occur when contaminated engine air leaks into aircraft cabins through the "bleed air" systems used on most large passenger jets from both manufacturers. A 2025 *Wall Street Journal* investigation found that such events have become far more frequent and have occurred mainly on Airbus A320s. Those pressing hardest on the issue have been flight attendants and pilots and their unions, workers employed by airlines rather than the manufacturer, illustrating both the value of frontline worker voice and the limits of governance mechanisms confined to a manufacturer's own employees. See Benjamin Katz, John West, and Andrew Tangel, "Toxic Fumes Are Leaking Into Airplanes, Sickening Crews and Passengers," *Wall Street Journal*, September 13, 2025. see also Suzanne Rowan Kelleher, "A 'Dirty Sock' Odor On A Plane Could Mean Toxic Fumes—Here's What To Know," *Forbes*, September 15, 2025.

57 Claire Bushey, "Boeing's Largest Union Seeks Seat on Plane Maker's Board," *Financial Times*, March 2024.

Engineering Employees in Aerospace (SPEEA), which represents Boeing's engineers and technical workers, urged U.S. unions and companies to "put fears aside" and consider "more significant employee representation on the board of directors," pointing to Germany's codetermination model.[58] When Boeing and other aerospace companies sought federal aid at the onset of the COVID-19 pandemic in 2020, SPEEA's parent union, the International Federation of Professional and Technical Engineers (IFPTE), asked congressional leaders to make any assistance above $1 billion conditional on recipients establishing a board seat for a representative chosen by their workers, alongside a ten-year ban on share repurchases and a suspension of dividends during the assistance period.[59] The idea has also found support in the aviation industry press: in January 2020, an editorial in *Leeham News* argued that adding representatives of both the Machinists and SPEEA to Boeing's Board would "serve as a check on the CEO" and bring "direct hands-on experience and input to the Board that never existed."[60] Still, these calls are strong validation of our argument: the workers closest to the production line identified board-level representation as a missing safeguard.

Boeing has a strong union presence, particularly among its production workers, but its relationship with unions has often been conflictual, with frequent disputes over contracts, wages, and benefits. The company has experienced multiple large-scale strikes, particularly by the IAMAW and SPEEA over contract disagreements. At the same time, it has engaged in strategies to limit their influence, and, at times, actively undermine labor organizing efforts. For instance, it has been criticized for shifting work away from union-heavy areas to non-union states. After Boeing opened a plant in 2009 in North Charleston, South Carolina, a right-to-work state where unions have little power, the IAMAW alleged that the move was designed to retaliate against Washington state workers for previous strikes, in violation of federal labor law. In 2011 the union turned to the National Labor Relations Board (NLRB), which investigates labor disputes and filed a complaint against Boeing.[61] The case ended with the NLRB withdrawing its complaint following the company's negotiation of a new contract with the IAMAW regarding the final assembly of the 737 MAX in Washington.[62] In 2017, Boeing would actively campaign against unionization at the South Carolina facility, and a union vote failed.[63] The pattern was clear. Boeing's ability to shift or expand production in low-union jurisdictions—and to pit states against one another—tilted bargaining power toward the company in subsequent negotiations.

Workforce representation at the board level would change this calculus. Decisions about where to locate major production are strategic choices that come before the board, and broader labor relations strategy falls within its oversight. With workforce directors in the boardroom, a strategy of relocating work to weaken organized labor would have to be justified against its long-term costs: strained labor relations, lost institutional knowledge, and repeated, costly strikes. It could not simply be pursued as a lever to shift bargaining power.

Tensions around pension elimination have been building for years. In 2014, a narrow majority of Seattle-based workers approved a key contract that ended defined-benefit pensions for new employees, replacing them with a 401(k)-style system. Although local union officials opposed the agreement, national leadership forced a vote that passed by just 51%, held at a time when many long-serving members were away on

58 Joel Funfar, "Employees and Employers Are Better with Unions," *SPEEA Spotlite*, June 2019, 3.
59 IFPTE President Paul Shearon and Secretary-Treasurer Matthew Biggs, letter to Speaker Nancy Pelosi and Senate Minority Leader Charles Schumer, March 19, 2020; see IFPTE, "IFPTE Authors Letter Supporting Aerospace Industry Workforce," March 2020.
60 Scott Hamilton, "Pontifications: Boeing Board Needs Major Shake-Up," *Leeham News and Analysis*, January 13, 2020.
61 Kathy Lohr, "Union Workers Cry Foul Over New S.C. Boeing Plant," *NPR*, June 2011.
62 Susanna Ray and Holly Rosenkrantz, "Boeing NLRB Complaint Withdrawn as Political Fallout Lingers," *Bloomberg*, December 2011. The U.S. Chamber of Commerce criticized the sequence of events as showing "how in bed" the NLRB really is with unions.
63 Noam Scheiber, "Boeing Workers Reject a Union in South Carolina," *The New York Times*, February 2017.

holiday, likely suppressing turnout.[64] Local officials saw the outcome as a retreat in union power to confront companies whose wide geographic options translate into formidable bargaining power. Boeing had leveraged threats to relocate 777X production, enticing bids from 22 states offering billions in incentives, leaving the union with little choice but to accept the deal.[65] The elimination of Boeing's pension plan remains a highly contentious issue and during a 2024 Boeing machinist strike, some workers reportedly held placards that read, "No Pension, No Planes."[66]

Over time, Boeing's cost-cutting strategies extended beyond its fraught union negotiations to the offshoring of jobs, particularly in engineering, software development, and component manufacturing, gradually undermining the expertise and cohesion of Boeing's once-strong engineering teams. In a high-stakes industry where safety depends on seamless coordination and deep institutional knowledge, this erosion weakened informal collaboration networks and made it harder to resolve technical issues quickly and effectively, introducing new risks to quality control and product integrity. It also disrupted the informal communication channels critical for identifying integration issues early, especially in a system where engineering fixes must be precise and rapid. Outsourcing has also had impacts on local communities, leading to job losses in union-heavy U.S. locations like Washington state.[67]

How Incentives Can Fuel Risk at the Executive and Board-levels

Executive compensation is often partially paid in equity. The approach is designed to mitigate agency costs that arise from the separation of ownership and control in modern corporations, a concept outlined by Jensen and Meckling in their seminal work on the theory of the firm.[68] In principle, tying pay—via equity grants, stock options, or performance-conditioned awards—to stock price or financial results aligns the incentives of executives with the interests of shareholders. Investors have long encouraged this practice and frequently engage companies on what "well-aligned" compensation should look like.

At the center of this system is the board of directors, which typically delegates executive pay recommendations to a committee composed of independent directors. Working with outside consultants, the committee benchmarks CEO pay against peers and sets plan mechanics. In theory, the mandate is to balance attraction and retention with incentives for durable value creation. In practice, heavy reliance on industry peer benchmarking, conflicts of interest at the board level, and prevailing market practice can produce a ratcheting effect—pay levels and complexity rise over time, with little relationship to actual long-term performance outcomes.[69] A recent investor guidance report from the Interfaith Center on Corporate

64 Jim Levitt, "Boeing Machinists Narrowly Approve End to Pensions," *Labor Notes*, January 2014; Mark Memmott, "Cheers and Jeers as Boeing Machinists Narrowly OK Contract," *NPR*, January 2014.
65 W.J. Hennigan and Maria L. La Ganga, "Boeing Contract Underscores Decline of Union Clout," *Los Angeles Times*, January 2014.
66 Oliver Gill, "'No pension, no planes': the $1bn-a-month strike grounding Boeing," *The Sunday Times*, October 2024. Note that this specific strike was estimated to have cost $3.2 billion to the company and its shareholders, see Anderson Economic Group, "Boeing Strike: Weekly Economic Loss Estimates," 2024.
67 Kyle Peterson, "Special Report: A Wing and a Prayer," *Reuters*, January 2011.
68 Michael C. Jensen and William H. Meckling, "Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure," *Journal of Financial Economics* 3, no. 4 (1976).
69 Kevin J. Murphy and Tatiana Sandino, "Compensation Consultants and the Level, Composition, and Complexity of CEO Pay," Working Paper 18-027, *Harvard Business School*, 2017; Ana M. Albuquerque et al., "Complexity of CEO Compensation Packages," *Journal of Accounting and Economics* 79, no. 1 (2025), Article 101709; Michael Faulkender and Jun Yang, "Is Disclosure an Effective Cleansing Mechanism? The Dynamics of Compensation Peer Benchmarking," *The Review of Financial Studies* 26, no. 3 (2013): 806–839; Henry L. Tosi et al., "How Much Does Performance Matter? A Meta-Analysis of CEO Pay Studies," *Journal of Management* 26, no. 2 (2000): 301–339.

Responsibility (ICCR) describes this dynamic: as companies build one another's elevated pay packages into their peer benchmarks, "isolated increases compound into a broader upward drift in compensation levels."[70]

In the U.S., under the Dodd–Frank Act (2010), public companies must give shareholders a "Say on Pay" vote that covers the pay of top executives at least once every three years, though these votes typically occur annually. In May 2026, the Securities and Exchange Commission (SEC) proposed exempting most smaller public companies from this requirement; the largest issuers, including Boeing, would remain subject to it.[71] While non-binding—the board's compensation committee still has final authority—a low approval rate sends a strong signal. Failed or weak votes often lead boards to revise pay structures, and proxy advisors or large institutional investors may vote against compensation committee directors if concerns persist. Yet in practice these votes rarely constrain pay: shareholder support for management's Say on Pay proposals averaged over 90% among Russell 3000 companies in 2025, leading the ICCR to conclude that investors "have, in large part, enabled excessive pay packages by voting with management."[72] Say on Pay can nonetheless serve as a key accountability tool, putting reputational pressure on boards to respond to investor concerns, but only to the extent that investors are willing to use it.

Most CEO packages have three parts: (1) base salary, (2) an annual cash bonus, and (3) a long-term incentive (LTI) delivered in equity-linked instruments. Over the past two decades, companies—including Boeing—have shifted the LTI toward performance share units (PSUs) or performance restricted stock units (PRSUs), functionally the same as PSUs, and away from simpler, time-based restricted stock such as restricted stock units (RSUs) or restricted stock awards (RSAs). PSUs/PRSUs typically pay out based on short- to medium-term metrics such as relative total shareholder return, earnings per share growth, or free cash flow. While ostensibly framed as "pay for performance," this design can inadvertently encourage short-term risk-taking, financial engineering, or cost-cutting in order to meet performance targets.[73] Options, when used, add further convexity: executives can benefit disproportionately from upside volatility while being shielded from downside losses.

Like many large issuers, Boeing's LTI design has emphasized performance-based equity like PRSUs. RSUs still exist but are less prominent in the mix. The overall design is complex and changes from year to year, but for illustration, in 2023, Boeing set the CEO's target mix at 6% salary, 11% cash bonus, and 83% LTIs. The breakdown of LTIs was 55% performance-based PRSUs tied to three-year cumulative free cash flow, and 45%

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70 Interfaith Center on Corporate Responsibility, "Excessive Executive Compensation: Investor Guidance," April 2026, 5.

71 The proposal would exempt companies that do not qualify as large accelerated filers (generally those with less than $2 billion in public float) from Say on Pay votes, as well as from pay-versus-performance and CEO pay ratio disclosure. See Cooley LLP, "SEC Proposes Sea Change in Compensation Disclosure Rules for All but Largest Issuers," May 2026.

72 Interfaith Center on Corporate Responsibility, "Excessive Executive Compensation: Investor Guidance," April 2026, 5.

73 Lucian Bebchuk and Jesse Fried's *Pay Without Performance* is a foundational critique of executive pay structures—which includes performance-linked equity like PSUs—and argues they often *fail to link pay effectively to true firm performance*. See Lucian Bebchuk and Jesse Fried, *Pay Without Performance: The Unfulfilled Promise of Executive Compensation* (Cambridge, MA: Harvard University Press, 2004). Recent research examining CEO compensation in S&P 1500 companies found that firms relying heavily on PSUs tended to generate lower relative total shareholder returns and higher executive pay, calling into question the assumption that PSUs improve long-term performance alignment compared with simpler equity vehicles. See Marc Hodak, Andrew Lo, and Chaoyi Zhao, "Study on Performance Share Units and CEO Pay/Performance Outcomes," Farient Advisors/MIT Sloan, 2025. An earlier study by Hodak found that S&P 500 firms using PSUs paid their CEOs more and underperformed sector peers that did not use them. See Marc Hodak, "Are Performance Shares Shareholder Friendly?," *Journal of Applied Corporate Finance* 31, no. 3 (2019): 126–130. Norges Bank Investment Management (NBIM) reports that its own analysis of portfolio holdings from 2017 to 2023 "yields similar results," and that PSUs "comprised almost 90% of the growth in pay" at its U.S.-listed portfolio companies over that period. See NBIM, "Comment on Executive Compensation Disclosure Requirements," letter to the U.S. Securities and Exchange Commission, July 25, 2025.

time-vested RSUs vesting after three years.[74] The annual bonus depended on meeting pre-set financial and operational targets with varying weights applied to different metrics.[75]

Boeing illustrates that in sectors where safety failures or product defects may take years to surface, LTIs can foster a culture of deferred accountability where systemic issues are allowed to escalate unchecked because executives have little financial incentive to address underlying vulnerabilities. Importantly, LTI design can still yield large payouts despite severe operational or safety failures. Though he did not receive a formal severance package when ousted in 2019, Muilenburg still exited with $62 million in stock options, pension benefits, and other forms of deferred compensation.[76] Commentators—including former U.S. Secretary of Labor Robert Reich—criticized the payout as emblematic of a system that rewards executives even amid catastrophic failures.[77]

Adding to the controversy, despite evidence that he misled investors about the safety of the 737 MAX, Muilenburg was able to settle related SEC charges for only $1 million—a fraction of his total compensation and an outcome that further fueled concerns about inadequate accountability at the top.[78] Muilenburg's successor, David Calhoun, faced similar backlash when the board increased his total 2023 pay by 45% to nearly $33 million. Although Calhoun declined a $2.8 million annual bonus after the January 2024 Alaska Airlines door-plug incident, the bulk of his compensation was equity-based.[79]

Incentive structures for board directors present their own set of misalignment risks. While detailed per-director breakdowns aren't publicly itemized, Boeing's own proxy shows non-executive (independent) directors are paid in part with deferred stock units, which are not converted into shares until they leave the board. This ties directors' pay to the company's share price, but nothing in the design links it to safety or operational outcomes, so it does little to counter the slow build-up of operational risk.[80] But incentives alone cannot explain Boeing's trajectory; an overarching issue was a board structure and oversight system that failed to counterbalance those pressures. Ultimately, the risks embedded in Boeing's incentive design were magnified by a board that was neither equipped nor structured to provide effective oversight.

The Board's Failure in Oversight

Effective corporate governance depends heavily on the characteristics and functioning of a company's board of directors. Research highlights several core attributes that shape a board's ability to monitor management, provide strategic guidance, and protect the interests of shareholders and stakeholders.[81] Key characteristics include board composition and independence, board size, mix of perspectives and skills, meeting frequency, and committee structure. Boards with a strong proportion of independent, non-executive directors are

74 Boeing, 2024 Annual Meeting of Shareholders, proxy materials, May 2024; Doug Chia, "Paying for Restoring Trust at Boeing," *Soundboard Governance*, May 2024.
75 For a clear summary of all different weights, see Doug Chia, "Paying for Restoring Trust at Boeing," *Soundboard Governance*, May 2024.
76 David Shepardson and Tracy Rucinski, "Boeing's ousted CEO departs with $62 million, even without severance pay," *Reuters*, January 2020.
77 Robert Reich, "The Biggest Business Con of 2019: Fleecing Workers While Bosses Get Rich" *The Guardian*, December 2019.
78 U.S. Securities and Exchange Commission, "Boeing to Pay $200 Million to Settle SEC Charges," press release, September 2022.
79 Allison Lampert et al., "Departing Boeing CEO Gets Nearly $33 Million in 2023 Compensation," *Reuters*, April 2024. About $30.2 million of his compensation came in stock awards, alongside a $1.4 million salary.
80 The Boeing Company, Notice of 2026 Annual Meeting of Shareholders and Proxy Statement, 2026, "Compensation of Directors," 41.
81 Fotoh Lazarus Elad et al., "The Role of Board Characteristics in Effective Corporate Governance," *International Journal of Social Sciences Perspectives* 2, no. 1 (2018); Kose John and Lemma W. Senbet, "Corporate Governance and Board Effectiveness," *Journal of Banking & Finance* 22, no. 4 (1998): 371–403; Peter W. Clifford and Robert T. Evans, "Non-Executive Directors: A Question of Independence," *Corporate Governance: An International Review* 5, no. 4 (1997): 224–231.

generally deemed to be better positioned to exercise oversight, mitigate agency problems, and ensure that management acts in the company's long-term interest. In terms of size, larger boards can bring diverse expertise and connections, while smaller boards may offer more agility, cohesion, and clearer communication. Similarly, a broader mix of perspectives and skills has been shown to widen deliberation, enhance innovation, and improve decision-making, although evidence on direct financial impacts varies.[82]

Beyond composition, how boards work is equally important. Effective boards meet frequently enough to stay informed and respond to emerging issues without falling into inefficiency. Their internal committee structure also influences performance: specialized committees—such as audit, compensation, nomination, finance, and strategy—help distribute workload and enable more informed, focused oversight. Research suggests that monitoring committees function best when led by independent directors, while productivity-oriented committees benefit from the operational insight of internal executives.[83]

Legally, the directors and officers have fiduciary duties to both the company and its shareholders.[84] The fiduciary duties of the board of directors under U.S. corporate law, particularly Delaware law which governs most large U.S. public companies, fall into several interrelated categories. At the foundation are the duty of care and the duty of loyalty. The duty of care requires directors to make informed decisions and actively oversee company operations, while the duty of loyalty requires them to act in the best interests of the corporation and its stockholders rather than in their own personal interest or that of management or a controlling party. Courts often describe good faith as a component of loyalty, requiring that directors act honestly and with a genuine belief that their decisions serve the best interests of the corporation and its shareholders. These duties are reinforced by the business judgment rule, which shields them from liability for decisions that turn out badly so long as they acted in good faith, were reasonably informed, and believed they were acting in the corporation's best interest. The business judgment rule presumes directors acted properly and makes it difficult to establish director liability absent clear evidence of bad faith, gross negligence, or conflicts of interest.

Beyond these core duties, the board also bears responsibilities of oversight and disclosure. Under the *Caremark* doctrine, directors must implement systems for monitoring risks and cannot consciously ignore red flags that suggest potential misconduct. The mere existence of misconduct does not in itself prove board oversight failures; plaintiffs must show a clear link between the alleged corporate harm and the board's actions or inactions. While the *Caremark* standard does not require directors to be all-knowing, it does require that they act in good faith by putting an oversight system in place and actively monitoring it.

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82 Morten Huse and Anne Grethe Solberg, "Gender-Related Boardroom Dynamics: How Scandinavian Women Make and Can Make Contributions on Corporate Boards," *Women in Management Review* 21, no. 2 (2006): 113–130. On financial performance, a meta-analysis of 140 studies finds a positive relationship between board gender diversity and accounting returns but no significant relationship with market performance. See Corinne Post and Kris Byron, "Women on Boards and Firm Financial Performance: A Meta-Analysis," *Academy of Management Journal* 58, no. 5 (2015): 1546–1571. See also Ronald C. Anderson, David M. Reeb, Arun Upadhyay, and Wanli Zhao, "The Economics of Director Heterogeneity," *Financial Management* 40, no. 1 (2011): 5–38, finding that investors value heterogeneous boards in complex firms but discount heterogeneity in less complex ones; and Olubunmi Faleye, Rani Hoitash, and Udi Hoitash, "Industry Expertise on Corporate Boards," *Review of Quantitative Finance and Accounting* 50, no. 2 (2018): 441–479, finding that directors with industry expertise improve innovation outcomes and firm value; and Nishant Dass, Omesh Kini, Vikram Nanda, Bunyamin Onal, and Jun Wang, "Board Expertise: Do Directors from Related Industries Help Bridge the Information Gap?," *Review of Financial Studies* 27, no. 5 (2014): 1533–1592, finding that directors from related industries increase firm value and performance, particularly where information gaps between management and the board are greatest.

83 Kose John and Lemma W. Senbet, "Corporate Governance and Board Effectiveness," *Journal of Banking & Finance* 22, no. 4 (1998): 371–403.

84 Directors owe their fiduciary duties to the corporation and its stockholders, see *Arnold v. Society for Savings Bancorp, Inc.*, 678 A.2d 533 (Del. 1996). Certain states (for example, Pennsylvania) have constituency statutes that explicitly allow the board of directors to consider the interests of constituencies other than the stockholders, including employees, customers, suppliers, and creditors (15 Pa C.S.A. §515(a)). See Practical Law Corporate & Securities, "Fiduciary Duties of the Board of Directors".

The duty of disclosure requires directors to provide shareholders with full and truthful information when soliciting their votes or approval in corporate transactions.[85] Additional doctrines, such as *Revlon* and *Unocal*, impose heightened duties in change-of-control or takeover contexts, requiring directors to either maximize shareholder value in a sale or ensure that defensive measures are proportional to a takeover threat.[86]

Together, these fiduciary duties create a framework that both empowers directors to make decisions and constrains them from abusing their discretion at the expense of the corporation and its shareholders. In the recent decision *McRitchie v. Zuckerberg* the Court of Chancery reaffirmed the 'single-firm model', namely that directors owe fiduciary duties to shareholders of the corporation only in their capacity as firm-specific stockholders and not in any other capacities they may have (e.g. owning the stock as part of a diversified portfolio).[87]

In Boeing's case, the Board neglected to monitor safety-critical risks and even potential criminal business decisions despite red flags before and after the 737 MAX crashes. The board's shortcomings, particularly during the 737 MAX crisis, were not simply lapses of attention, but structural governance failures and issues with Board culture, incentives and composition that likely reinforced these failures. This was at the heart of the recent *Caremark* case brought against the Board, in which shareholders—including pension funds such as the New York State Common Retirement Fund and Colorado's Fire and Police Members' Benefit Investment Fund—alleged a breach of the Board's duty of oversight under the *Caremark* doctrine, and pursued litigation on behalf of the corporation (known as a derivative suit). The case concluded with a $237.5 million shareholder settlement in March 2022.

The Delaware Chancery Court ("the Court") found that Boeing's Board had failed to ensure a robust system for monitoring airplane safety and ignored red flags, despite the existential risk posed by the 737 MAX crashes.[88] In highlighting these broader cultural and systemic failures, the Court reached a starkly different conclusion from the DOJ. The DOJ focused on the individual actions of two flight technical pilots who misled the FAA about the MCAS, and concluded that *"the misconduct was neither pervasive across the organization, nor undertaken by a large number of employees, nor facilitated by senior management."* [89] The Delaware Chancery Court, on the other hand, found evidence of broader systemic issues within the company and highlighted various factors supporting an "explicit finding of scienter" (knowledge of wrongdoing) on the part of Board members. Overall, the Court memorandum opinion analyzed Board minutes and reports and found that the Board was more focused on financial performance and profitability than prioritizing safety. The Court framed the claim as directors failing stockholders "in overseeing mission-critical airplane safety to protect enterprise and stockholder value."[90] For a company whose core product is an aircraft, safety is a precondition for long-term shareholder value, not a competing priority. The problem was that Boeing's oversight structure gave the Board no way to see the risk most capable of destroying that value.

Critically, there were structural failures in Board oversight of safety. Though the Board had five standing committees (Audit, Finance, Compensation, Special Programs, and Governance, Organization, and

85 *Malone v. Brincat* 722 A.2d 5 (Del. 1998).
86 *Revlon, Inc. v. MacAndrews & Forbes Holdings, Inc.*, 506 A.2d 173 (Del. 1986). *Unocal Corp. v. Mesa Petroleum Co.*, 493 A.2d 946 (Del. 1985).
87 *McRitchie v. Zuckerberg*, 315 A.3d 518 (Del. Ch. 2024). Managing a company to maximize firm-specific value at the expense of broader economic and societal interests does not constitute a breach of fiduciary duty, even if under modern portfolio theory many investors hold diversified portfolios exposed the broader economy.
88 *In re The Boeing Company Derivative Litigation*, C.A. No. 2019-0907-MTZ (Del. Ch. Sept. 7, 2021).
89 U.S. Department of Justice, "Boeing Charged with 737 MAX Fraud Conspiracy," press release, January 2021.
90 *In re The Boeing Company Derivative Litigation*, C.A. No. 2019-0907-MTZ, slip op. at 1 (Del. Ch. Sept. 7, 2021).

Nominating), none were dedicated to airplane safety. Committee charters were silent on safety. While there was an Audit Committee charged with a general oversight of risk, the Court noted that *"it did not take on airplane safety specifically"* and "*consistent with Boeing's emphasis on rapid production and revenue, the Audit Committee primarily focused on financial risks to the Company*."[91] For a safety-critical business, the Court described this as an "utter failure" at the top of the reporting pyramid. This was also a major departure from industry practice. The Court noted that Southwest, JetBlue, and Delta have dedicated board committees focused specifically on safety. The result was a lack of structural pathway for identifying, escalating, and discussing safety risks.

There was also overreliance on management for risk and safety information when management's periodic reports to the Board did not consider airplane safety issues. Prior to 2019, Boeing's principal internal safety reporting process was the Safety Review Board ("SRB") that had no direct link to the board and no reporting mechanism. The SRB issues, including whistleblower complaints, never made it to directors.

One anecdote described in the Court's memorandum opinion is that of a longtime engineer at the 737 MAX plant in Renton, Washington, who tried to raise safety concerns with the 737 program's general manager and factory leader, stating in a written communication in summer 2018 that *"for the first time in my life, I'm sorry to say that I'm hesitant about putting my family on a Boeing airplane."* The Court noted that while some of these complaints made their way to senior management, none made it to the Board, such that *"The Board was unaware of whistleblower complaints regarding airplane safety, compliance, workforce exhaustion, and production schedule pressure at the 737 MAX facility*."[92]

Boeing's governance architecture was not designed to surface, scrutinize, or prioritize safety information, leaving the Board dependent on management and blind to critical risks. After the Lion Air crash in October 2018, management's communication with the Board was slow, incomplete, and primarily focused on public relations concerns. As a result, board engagement was delayed and insufficient. The Board was not notified of the crash for ten days. A formal Board meeting was delayed for nearly two months, lacked proper documentation, and failed to address airline safety issues directly, even as internal presentations labeled the crash a "hot topic."[93] Nor did the Board commission its own analysis of the crash's root cause. According to the Court, its "primary focus relating to the 737 MAX and Lion Air Crash was on restoring profitability and efficiency," and as late as February 2019 it recorded its decision to "delay any investigation until the conclusion of the regulatory investigations."[94] The talking points minimized Boeing's role in the crash, and continued to assert that the aircraft was safe, despite internal and FAA findings linking the MCAS to the crash.

> ***Boeing's governance architecture was not designed to surface, scrutinize, or prioritize safety information, leaving the Board dependent on management and blind to critical risks.***

91 *In re The Boeing Company Derivative Litigation*, C.A. No. 2019-0907-MTZ, slip op. at 14–15 (Del. Ch. Sept. 7, 2021). The Audit Committee also oversaw an Enterprise Risk Visibility ("ERV") process, annually reviewing and reporting its top identified strategic, operational, and compliance risks to the board, which in turn reviewed management's mitigation of those risks. However, the Court noted that this process primarily focused on production and financial risks and did not emphasize airplane safety. Audit Committee and ERV materials reveal that airplane safety risks were not discussed at board meetings.

92 Ibid., 32.

93 Steven Mintz and William F. Miller, "The Story of Boeing's Failed Corporate Culture," *The CPA Journal*, June 2025.

94 *In re The Boeing Company Derivative Litigation*, C.A. No. 2019-0907-MTZ, slip op. at 39, 43 (Del. Ch. Sept. 7, 2021).

The Board did not meaningfully question the narrative senior leadership presented after the Lion Air crash, a narrative that shifted attention to Lion Air's maintenance and operations while resisting acknowledgment of the possibility of Boeing's own safety and disclosure failures. Even after the second crash in March 2019, which led to the global grounding of the 737 MAX, the Board did not immediately take proactive steps to reassess its safety oversight mechanisms. It took about five months to create a permanent Aerospace Safety Committee (in August 2019) to institutionalize product-safety oversight at the Board level.

The Board's inability to challenge management on engineering or safety issues may have to do with insufficient technical expertise at the director level. Directors are typically selected for their expertise in a particular area or for their industry connections to fill current board needs, often with help from search firms. At Boeing, oversight of selecting and vetting director candidates fell to the Governance, Organization & Nominating Committee. As of early 2019, the committee considered each candidate's "experience and leadership record in such areas as operations, international business, manufacturing, risk management, finance, government, marketing, international affairs, technology, and public policy," and sought directors with aerospace and defense industry expertise. Safety, however, was not among the criteria; it was added only in August 2019.[95]

Moreover, the Court highlighted that "many of Boeing's Board seats were long-term and awarded to political insiders or executives with financial expertise."[96] Among Boeing's 13 directors in 2020, only four members (Admiral Edmund Giambastiani Jr., Lynn Good, Steven Mollenkopf, Admiral John Richardson) had clear backgrounds in engineering, safety, or technical system management.[97] The rest primarily came from finance, corporate management, government, or legal backgrounds. Four Board members cited in the lawsuit were former government officials with no direct background in the aviation industry, including a former ambassador to the U.N. and a former White House chief of staff.[98] For comparison, in 2024, according to Airbus's *Report of the Board of Directors*, 11 out of 12 board members had the skill designated as "Engineering & Innovation" in the skills matrix.[99] Though this does not necessarily confirm a formal engineering degree, it indicates experience or expertise in engineering and innovation.

> ***"Many of Boeing's Board seats were long-term and awarded to political insiders or executives with financial expertise."***
>
> DELAWARE CHANCERY COURT

Education and training were likely too limited to close the Board's expertise gap. Boeing's approach to director education was formally consistent with corporate governance norms in terms of orientation, annual governance training, site visits, and external opportunities to participate in training programs offered outside the company. [100] Every new director went through a comprehensive orientation, including briefings by senior

95 The Boeing Company, Notice of 2019 Annual Meeting of Shareholders and Proxy Statement, March 15, 2019, "Director Skills and Qualification Criteria." Safety-related experience first appears in the revised Corporate Governance Principles dated August 26, 2019.
96 Lobbyist Kenneth Duberstein, whom the court described in *In re The Boeing Company Derivative Litigation*, slip op. at 5, as the "ultimate insider," served as lead director until 2018, succeeded by private equity executive David Calhoun, who later became CEO. Other senior figures included corporate veteran Jim McNerney, CFO Greg Smith, compliance officer Diana Sands, and counsel Michael Luttig.
97 For the full list of directors as of 2020 and their biographies, see William W. George and Amram Migdal, "What Went Wrong with Boeing's 737 Max?" Harvard Business School Case Study, Exhibit 1.
98 Sandra J. Sucher and Shalene Gupta, "What Corporate Boards Can Learn from Boeing's Mistakes," *Harvard Business Review*, June 2021.
99 Airbus SE, Report of the Board of Directors 2024, 49–50.
100 Boeing, "Corporate Governance Principles," August 26, 2019.

management on Boeing's business units, strategy, finances, risk management, compliance, and ethics. They also visited headquarters and, when possible, major facilities. The Board conducted at least one annual on-site visit to a Boeing operating unit to understand operations firsthand and engage directly with staff. Directors received regular updates at Board or committee meetings on topics that support their duties. At least once a year, they were trained on corporate governance policies and Board responsibilities. Directors were encouraged to attend outside continuing-education programs at the company's expense. However, there is no clear evidence that directors undertook specialized orientation in Boeing's most critical risk domains, such as product safety.

Director independence is essential for effective oversight, yet Boeing's experience illustrates how formal independence alone is insufficient to ensure robust oversight. Being "independent on paper" is very different from being independent in practice, that is being able and willing to challenge management, free of network loyalties, and equipped with the technical competence to do so. Formally, Boeing imposed limits on outside directorships (maximum of 4 other public company boards, fewer if the director is a CEO) and required that at least 75% of its directors meet NYSE independence criteria.[101] But these standards focused largely on the absence of employment or financial conflicts; they did not capture subtler dynamics that shape whether directors can realistically challenge management. Eight of the 13 directors held multiple other board seats—two sat on four boards each—and several shared professional or political networks.[102] Three served on Caterpillar's board, and two on Marriott's.[103] It is possible that these inter-relationships played a role in weakening the Board's objectivity towards management. Such overlaps can create implicit loyalties, reinforce groupthink, and make directors less willing to question executives, particularly on technical or safety matters outside their expertise.

Independence in practice depends on informational flows, board culture, director expertise, and social dynamics—factors not captured by formal independence metrics. A 2018 study of Airbus's board found that 10 out of 12 directors (approximately 83%) qualified as independent, a figure broadly comparable to Boeing's formal independence levels. [104] Both companies operate under unitary boards, in which independent and executive directors sit together, and both satisfy formal independence thresholds. Yet Boeing's experience shows how fragile practical independence can be when directors lack relevant expertise, when information is filtered through management, or when social ties inhibit dissent. By contrast, Airbus places greater emphasis on technical and engineering expertise at the board level, as reflected in its published skills matrix—an approach that may strengthen practical independence even within a unitary structure.

As noted above, many European companies—especially in Germany, Austria, and parts of Scandinavia—use a *two-tier* board system that separates oversight and management by design. Under this model, the supervisory board is composed entirely of non-executive directors and, in some jurisdictions, employee representatives. It appoints, evaluates, and can remove the management board, which handles day-to-day operations. The two bodies meet separately, and supervisory board members do not participate in operational decision-making. This structural separation often creates greater practical independence: supervisory boards can demand information directly, are less exposed to management framing, and must integrate worker perspectives into risk oversight. Many of these companies also have codetermination

101 Ibid. This means Board members cannot be employees, and there must be no material relationship.
102 Michael Hiltzik, "Boeing's Board Shouldn't Escape Blame," *Los Angeles Times*, January 2020.
103 Sandra J. Sucher and Shalene Gupta, "What Corporate Boards Can Learn from Boeing's Mistakes," *Harvard Business Review*, June 2021.
104 Fotoh Lazarus Elad et al., "The Role of Board Characteristics in Effective Corporate Governance: The Case of Airbus Group," *International Journal of Social Sciences Perspectives* 2, no. 1 (2018): 87–95.

(Mitbestimmung), meaning employee representatives hold up to 50% of supervisory board seats. Although Airbus SE does not follow this model at the parent-company level, the two-tier structure illustrates how corporate architecture itself can influence the depth and authenticity of board independence. This is something that unitary boards like Boeing's must work harder to achieve through process, composition, and culture rather than structure alone.

Boeing's Board also actively misrepresented directors' actual engagement with safety oversight, a factor highlighted in the Court's opinion. Then director Calhoun made public statements later proven false—he claimed directors were immediately briefed on both crashes, evaluated grounding the MAX, and recommended grounding after the second crash—all intended to project a façade of independent and responsible oversight, even as effective safety monitoring processes had not yet been established. The handling of leadership transitions after the crashes further underscored the Board's potentially compromised independence: rather than hold senior executives accountable, the Board prioritized protecting departing executives over accountability. By allowing then-CEO Dennis Muilenburg and General Counsel Michael Luttig to depart under the labels of "resignation" or "retirement" instead of for cause, the Board ensured they retained tens of millions in unvested equity.

The Court noted that it is reasonable that the Board was "validly exercising business judgment" since "at that time, Boeing was facing substantial backlash and had spent millions dollars addressing the 737 MAX corporate trauma" and that "even accepting as true that the Board allowed Muilenburg to go quietly and with full pockets to avoid further public criticism, it is reasonable to infer that doing so was in furtherance of the legitimate business objective of avoiding further reputational and financial harm to the Company." However, while legally defensible under business judgment standards, these choices also reflected deference to management and loyalty to insiders rather than independent, shareholder-focused judgment. Moreover, the Board was potentially acting out of a desire to shield its own reputation and avoid a public dispute that would have exposed its prolonged support of management's failures in safety oversight.

Once he became CEO in early 2020, Calhoun adopted a more openly critical stance toward his predecessor, Dennis Muilenburg. Calhoun publicly distanced the Board from Muilenburg's decisions by suggesting that the company's strong financial performance before the first MAX crash made the Board less inclined to challenge the CEO's approach. He portrayed Muilenburg as a leader driven by aggressive profit goals and a willingness to take excessive risks, especially at the expense of safety and quality. Calhoun implied that while the Board may have been complacent, its support reflected Muilenburg's track record rather than an endorsement of his risk-taking culture.[105]

In sum, the Board's oversight failures were systemic: weak committee structures, overreliance on management for information, limited technical expertise, resulting in independence that existed on paper but not in practice. These gaps allowed financial and production pressures to eclipse safety long before the 737 MAX crashes. The case shows that without genuine independence, relevant expertise, and reliable information flows, formal governance frameworks are not enough. When oversight is merely symbolic, critical risks can accumulate unchecked.

105 Natalie Kitroeff and David Gelles, "'It's More Than I Imagined': Boeing's New CEO Confronts Its Challenges," *The New York Times*, March 2020.

Rebuilding Boeing's Safety Framework

Since the 737 MAX crashes, Boeing has taken steps to overhaul its governance and safety systems. On September 25, 2019, a committee of the Board interviewed employees and recommended changes in organization, structure, and processes to focus on safety.

As previously noted, one recommendation was to flip the reporting lines to have engineers report primarily to Boeing's chief engineer, and only secondarily to business unit leaders.[106] A permanent Aerospace Safety Committee was added to the board, and the revised Corporate Governance Principles dated August 26, 2019 added safety-related experience to the criteria considered when selecting directors.[107] These measures were largely reactive and focused on oversight structures rather than on the operational incentives shaping day-to-day decision-making. The persistence of safety and quality failures after 2019, most notably the 737-9 MAX door plug blowout on January 5, 2024, highlights the limits of formal governance reform in isolation, as on-the-ground mechanisms needed to enforce safety-first decisions appear to have lagged.

Today, the evolved Governance & Public Policy (GPP) Committee assesses the board's composition annually and specifically ensures at least three directors have aviation, aerospace, engineering or product safety oversight experience.[108] The Board now includes a retired United Airlines pilot, Stayce Harris, and has formalized board refreshment practices, regularly evaluating board size (with a targeted range of 10–14 directors) while balancing short-, medium-, and long-tenured members. The Board states that it "seeks broad variety of experience, skills, tenure and perspectives among its members."[109]

Boeing's Safety and Quality Plan is a company-wide initiative launched in 2024 (after the door-plug incident) to strengthen oversight, training, and production discipline by addressing regulatory findings and embedding safety, quality, and accountability into every stage of aircraft design and manufacturing.[110] As part of this initiative, Boeing has expanded and digitized its training programs, with all employees required to complete product safety and quality training. Mechanics and inspectors receive enhanced support through workplace coaches, peer trainers, and skill centers. The company added more than 550 hours of new curriculum covering quality proficiency, Safety Management System culture, and other critical skills, with over 2,500 employees enrolled in the Foundational Training Center.

The initiative also introduced a series of process and quality controls to strengthen production discipline. At Spirit AeroSystems (the fuselage supplier Boeing reacquired in December 2025),[111] defects in 737 fuselage

106 Natalie Kitroeff and David Gelles, "Boeing Board to Call for Safety Changes After 737 Max Crashes," *The New York Times*, September 2019.
107 While these changes were widely reported in late September 2019 following public disclosure of the Board's post–737 MAX review and interviews with employees (see Phil LeBeau, "Boeing adds safety committee, considers changes to airplane development," *CNBC*, September 2019), the earliest explicit reference to "safety" as a criteria for director selection in Boeing's Corporate Governance Principles appears in the August 2019 revision. See Boeing, "Corporate Governance Principles," August 26, 2019. Boeing's 2020 proxy statement confirms that the Board "amended our Corporate Governance Principles to explicitly identify safety-related experience as a criterion when considering potential director nominees," and its updated selection criteria add both engineering and safety to the list of relevant experience. See The Boeing Company, Notice of 2020 Annual Meeting of Shareholders and Proxy Statement, March 13, 2020, "Director Skills and Qualification Criteria." Neither appeared in the criteria described in Boeing's March 2019 proxy statement (see footnote 95)
108 The requirement first appears in Boeing's Corporate Governance Principles as amended April 24, 2025, and is retained in the current version. See Boeing, "Corporate Governance Principles," amended June 23, 2026 (accessed October 2026). The GPP Committee, successor to the former Governance, Organization and Nominating Committee, handles board composition assessment, director selection and recruitment, CEO succession planning, and corporate governance principles review.
109 The Boeing Company, Notice of 2026 Annual Meeting of Shareholders and Proxy Statement, 2026, "Director Qualification Criteria."
110 Boeing, "Strengthening Safety & Quality," corporate communication.
111 Boeing completed its acquisition of Spirit AeroSystems on December 8, 2025. See "Boeing Completes Spirit AeroSystems Acquisition," *Flying*, December 2025.

assembly were cut by more than half through added inspections and a customer quality approval process. In final assembly, tool control reforms reduced tool loss by 85%. Other measures included embedding metrics for preventing foreign object debris, routine work instruction adherence checks to support mechanic proficiency, and a new "Work in Process" system on the 737 and 787 lines to secure incomplete parts and prevent misuse.

A new company-wide Safety Management System encourages employees to speak up about concerns through confidential channels, with the goal of identifying, monitoring, and reducing risks in Boeing's products and services. Boeing has also intensified employee-driven quality and safety initiatives within its commercial airplane programs. Boeing expanded employee-driven safety efforts by resolving most issues raised during "Quality Stand Down" sessions, creating over 1,300 cross-disciplinary teams, and training all production and quality managers. It also introduced new "move ready" criteria for aircraft in assembly, which reduces the amount of rework performed out of sequence ("traveled work") on the 737 and 787 by 50%.

While these measures mark a structural and cultural shift from the pre-2019 era, some continue to question whether cultural change and accountability have truly taken root. Richard Aboulafia, a longtime industry analyst and managing director at AeroDynamic Advisory, argues that the Safety and Quality Plan fails to confront the deeper management failures that created the current crisis, and stresses that the real issue is understanding how the company's culture deteriorated to the point where employees responsible for designing and building aircraft became so disempowered.[112]

Following the door-plug incident, Boeing also initiated a comprehensive review of executive compensation. The Board reduced each executive's LTI award by the percentage decline in the company's stock price between the date of the most recent accident (January 5, 2024) and the grant date. For the CEO (David Calhoun) this meant the LTI target fell by 22%, from $17.0 million to $13.25 million. The Board also raised the annual bonus weight on quality and safety to 60% (from 25%) and added a downward-only "safety modifier" to 2024–2026 PRSUs. Under that modifier, payouts can be cut by 25% or to zero unless two milestones are completed on time: first, the deployment of a culture survey to assess how deeply the Safety Management System is embedded in the workforce; and second, the implementation of operational control limits (including on the 737 program) that trigger safety risk assessments at defined production gates.[113] Despite these changes, Say-on-Pay approval of Boeing's executive compensation program fell from 82% in 2022[114] to 64% in 2024.[115]

Does this redesign make safety a prerequisite for pay—or merely a constraint on it? Safety enters Boeing's pay structure almost entirely through the annual cash bonus rather than through equity.[116] The annual bonus may be more safety-dependent, but it accounts for a relatively small slice of total compensation: applied to the 2023 target mix, in which the cash bonus made up 11% of CEO pay, a 60% weight on quality and safety would

112 Oriana Pawlyk, "Embattled Boeing Offers Plan to Fix Its Safety Problems," *Politico*, May 2024.
113 Boeing, proxy materials for the 2024 annual meeting.
114 Boeing, SEC Schedule 14-A
115 David Koenig, "Boeing Shareholders Approve CEO Compensation as Company Faces Investigations, Possible Prosecution," *Associated Press*, 2024.
116 Evidence from the UK suggests that safety metrics confined to the annual bonus carry little financial weight. A 2021 analysis by Pensions & Investment Research Consultants (PIRC) of 38 FTSE 350 companies found that, where executive bonuses were linked to worker fatalities, executives lost on average less than 1% of their total pay when an employee died on the job, and found no evidence that the link reduced workplace deaths. PIRC argued that keeping workers safe should be a basic requirement rather than a bonus metric. See Kevin Rawlinson and Jasper Jolly, "Bosses Lose Only a Fraction of Pay When Employees Die on the Job, Says Research," *The Guardian*, April 28, 2021.

tie only about 7% of target pay to those outcomes.[117] Roughly four-fifths of target pay remains equity-based, most of it driven by financial outcomes; time-vested RSUs are untouched by safety results; and the PRSU modifier only reduces awards rather than gating them. Overall, the new LTI structure may prove insufficient to rebalance incentives toward product safety.

With the arrival of Kelly Ortberg, who succeeded David Calhoun as CEO in August 2024, the board undertook yet another redesign of executive compensation, timed with—and likely influenced by—the leadership change and the company's safety/quality reset. Ortberg's package included a $1.5 million base salary, a $3 million annual bonus target, and a $17.5 million LTI target (presumably subject to the downward-only "safety modifiers" on PRSUs), supplemented by $16 million in new stock awards split between premium-priced stock options (PPSOs) and RSUs, both with three-year vesting.[118] The mix of instruments was broadened but retained the same short-term orientation. PPSOs, layered alongside existing PRSUs, reward stock price volatility more than sustained operational excellence.

If Boeing's Board aims to restore trust under its new CEO, our analysis suggests that executive long-term incentives would need to be redesigned along two complementary dimensions: the metrics they reward, and the time horizon over which they vest. Both still appear misaligned with the long development cycles and delayed realization of risk that characterize commercial aircraft manufacturing.

First, LTI awards would benefit from placing greater weight on metrics tied directly to product safety and production discipline. Financial measures such as free cash flow, revenue, and earnings largely reflect the downstream consequences of earlier operational decisions rather than providing early warning of emerging risks. Safety and quality indicators, on the other hand, offer earlier signals of whether value is being built sustainably or whether problems are being deferred and embedded in the system.

Second, LTI awards would benefit from vesting over longer horizons that span the full aircraft development and production cycle. Three-year vesting periods—though standard industry practice—appear ill-suited to a business in which safety failures may take years to surface, and in practice tend to privilege short-term financial performance and market optics over the durable, safety-first operating culture on which long-term value creation depends.

Lessons for Investors

Boeing's recent history illustrates a hard lesson for investors: commonplace shareholder-first governance can obscure material risks until disaster strikes. For years, Boeing delivered rising earnings and strong stock performance, even as systemic vulnerabilities—safety shortcuts, supply chain fragility, and weak workforce engagement—were compounding beneath the surface. The result was catastrophic: fatal accidents, criminal investigations, regulatory sanctions, and billions in lost market value.

117 PDI calculation based on figures reported above: the 60% weight on quality and safety metrics in the annual bonus, adopted in 2024, multiplied by the cash bonus's 11% share of the CEO's 2023 target pay, equals about 6.6% of target pay. Using Kelly Ortberg's 2024 package instead (a $3 million bonus target out of roughly $22 million in target pay, excluding one-time awards), the share is about 8%.

118 Boeing, Form 8-K for July 30, 2024. The PPSOs granted carried a strike set at 120% of grant-date fair value, vesting on each of the second, third and fourth anniversaries of the grant date. The RSUs vest over 3 years.

Prior to Boeing's recent recovery, some commentators argued that institutional shareholders—who collectively owned a substantial majority of the company's stock (approximately 66.95% in 2024,[119] when these arguments were being made)—were the company's best hope and should have declared a crisis of confidence.[120] Yet even sophisticated investors with significant resources struggled to pierce through financial performance to identify underlying operational vulnerabilities. Several structural challenges inhibit investors from detecting and managing these risks effectively.

First, many investors hold stocks as part of index funds, which inherently lack the active monitoring and selection of individual companies. The mandate of passive fund managers such as BlackRock, Vanguard, and State Street is to mirror the index rather than evaluate or exclude specific companies. Though uniquely positioned to leverage their significant market influence to ensure corporate accountability through proxy voting, shareholder resolutions, engagement with management, and public advocacy, the sheer number of companies in major indices, combined with the high cost of deep company-level research, makes granular due diligence and engagement impractical. The mathematical reality is stark—with thousands of holdings across major indices, even the largest asset managers cannot conduct the kind of deep context-based operational due diligence that would have uncovered Boeing's emerging safety culture problems.

> ***Even the largest asset managers cannot conduct the kind of deep context-based operational due diligence that would have uncovered Boeing's emerging safety culture problems.***

Second, Boeing benefited from both its monopoly-like status and its position as a large-cap index component. Persistent inflows from exchange-traded funds (ETFs) and index funds ensured a steady stream of capital regardless of performance, which may have dulled market discipline.[121] Limited competition, government orders, and a growing focus on protectionist industrial policy also protected Boeing. In such an environment, stock price signals are less sensitive to company fundamentals, allowing critical risks to remain hidden for longer.

Standard-setters and investor coalitions have begun to explore tools to fill the information gap. For instance, the International Sustainability Standards Board (ISSB), the Global Reporting Initiative (GRI), and the Human Capital Management Coalition (HCMC) require or encourage the reporting of safety, governance, and/or workforce metrics.

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119 WallStreetZen, "Boeing Co Stock Ownership - Who Owns Boeing Co?"

120 Anthony L. Velocci Jr., "Are Institutional Shareholders Boeing's Best Hope?" *Aviation Week*, January 2024.

121 The rapid growth of passive investing has sparked debate over whether it weakens or strengthens market efficiency. Evidence is mixed: some studies show it distorts price signals, inflates large-cap stocks, and creates systemic risks, while others suggest ETFs can reduce mispricing by enhancing liquidity and aligning prices with fundamentals. See Vladyslav Sushko and Grant Turner, "The Implications of Passive Investing for Securities Markets," *BIS Quarterly Review*, March 2018; Valentin Haddad et al., "How Competitive is the Stock Market? Theory, Evidence from Portfolios, and Implications for the Rise of Passive Investing," *American Economic Review* 115(3): 975-1018 (March 2025); Hao Jiang, Dimitri Vayanos, and Lu Zheng, "Passive Investing and the Rise of Mega-Firms," *The Review of Financial Studies* 38, no. 12: 3461–3496 (December 2025); Santiago Guzman et al., "ETF Adoption and Equity Market Macro-Efficiency," *Journal of Portfolio Management*, 51(6): 158-174; Steve Johnson, "ETFs Increase Efficiency of Markets, New Study Shows." *Financial Times*, January 2025; Kenechukwu Anadu et al., "The Shift from Active to Passive Investing: Potential Risks to Financial Stability?" Finance and Economics Discussion Series 2018-060r1, Washington, DC: Board of Governors of the Federal Reserve System, June 2020. Among practitioners, Michael Green, chief strategist at Simplify Asset Management, has been a prominent critic, arguing that the growth of mechanical index flows has weakened markets' price discovery and capital allocation functions. See Michael W. Green, "It's Time to Complicate," *Yes, I Give a Fig* (Substack), August 9, 2026.

As part of its Safety & Quality Plan, Boeing itself has developed six Key Performance Indicators (KPIs) focused on safety and production health.[122] These include the share of staff proficient in core skills; the time lost fixing non-conforming work from suppliers in final assembly; shortages per day from fabrication and suppliers; time spent performing rework in final assembly (rework hours per airplane); daily gaps affecting production flow (unfinished jobs traveling from final assembly); and quality escapes per ticketed airplane prior to delivery. While these indicators focus primarily on production discipline, quality control, and operational efficiency rather than safety outcomes per se, they reflect management's view that breakdowns in these areas are closely linked to elevated safety risk. As such, they may provide useful—but incomplete—reference points for investors seeking to assess whether reforms are taking hold.

Investors can and should press for meaningful KPIs and engage on safety and governance. However, the availability of more granular KPIs does not, on its own, resolve the structural limits of investor oversight. Investors remain heavily dependent on information curated by corporate managers and third-party providers, much of which is backward-looking, can be gamed or understood out of context, and offers only partial insight into operational and cultural risks. Standard Environmental, Social, and Governance (ESG) metrics may capture selected dimensions of performance, allowing firms to score well on certain measures, while overlooking other sources of risk.[123] Alone, ESG and top-down disclosure frameworks may not be effectively designed to capture or prioritize the specific operational and safety risks that materialized at Boeing or that may manifest in other contexts and companies.

Furthermore, while engagement is an important tool, and while investors can assess KPIs on a company-by-company basis, the burden of conducting deep due diligence across large portfolios and complex global supply chains is neither practical nor scalable. The same limitations that prevented investors from detecting Boeing's vulnerabilities in the past will likely constrain their ability to assess the adequacy of reforms going forward. This reality raises a broader governance question: *if investors cannot reliably serve as the sole guardians against systemic operational risk, what complementary mechanisms are needed which investors could support?*

Executive Compensation as a Partial Lever

One response has been to focus on executive compensation design. Pay structures are among the few governance levers where investors retain formal influence through voting and engagement, even when deep operational oversight is infeasible. Unsurprisingly, LTI design has come under growing scrutiny.

Leading institutional investors have raised concerns that current LTI structures are overly complex, short-term oriented, and poorly aligned with sustained corporate health. Norges Bank, for example, has argued that intricate performance plans consume excessive engagement resources while failing to align executives with long-term shareholder interests, advocating instead for simpler equity awards with extended holding periods.[124] The Council of Institutional Investors (CII), which provides corporate governance insights to a membership of asset owners, has likewise stated it believes performance plans are a major source "of today's complexity and confusion in executive pay" and are "susceptible to manipulation."[125] It has advocated for compensation

122 Boeing, "Strengthening Safety & Quality," corporate communication.
123 For example, in 2018 the CDP (formerly called the Carbon Disclosure Project), the industry standard for environmental reporting, recognized Boeing with an A– rating for CO2 emissions reduction and transparent reporting. Boeing, "2019 Global Environment Report", 27.
124 Charles Tharp, "Compensation Design Calls for Radical Simplification," *Harvard Law School Forum on Corporate Governance*, January 2026.
125 Council of Institutional Investors, Policies on Corporate Governance.

committees to consider replacing performance shares with long-vesting restricted shares over a period of at least five years, and potentially up to ten years or through retirement.

Even where investors prefer such structures, implementation is difficult. Proxy advisors often issue negative recommendations on compensation plans that significantly restrict executive liquidity, pressuring boards toward shorter horizons and intricate PSU designs.[126] Boeing's own executive compensation adjustments, as discussed above—introducing safety modifiers while retaining three-year vesting and financial performance emphasis—illustrate the limits of incremental change within the prevailing compensation paradigm.

Executive compensation reform can therefore play a meaningful role, but its reach is inherently constrained. Pay design shapes incentives at the top of the organization and offers one of the few governance levers that investors can exercise with relative consistency. At the same time, compensation mechanisms operate indirectly, influence a small set of decision-makers who are often intermediated from direct impacts on the ground, and depend on metrics that may themselves lag underlying operational realities. Aligning pay more closely with safety and long-term outcomes is an important step, but it cannot substitute for governance structures that surface risks earlier and embed accountability more broadly across the firm.

> ***Aligning pay more closely with safety and long-term outcomes is an important step, but it cannot substitute for governance structures that surface risks earlier.***

Multi-Stakeholder Governance as a Structural Corrective

Addressing the governance failures exposed by Boeing's crisis requires mechanisms that embed risk detection and accountability more deeply within the firm itself. Multi-stakeholder governance offers such a corrective by incorporating perspectives that are systematically closer to operational reality and long-term risk.

Long-term business success depends not only on capital efficiency, but also on healthy supply chains, skilled and motivated workforces, stable regulatory environments, customer trust, and social legitimacy. When key stakeholders such as workers, communities, and customers are systematically excluded from governance processes, critical feedback loops are severed, blind spots widen, and latent risks—such as safety failures, reputational damage, regulatory intervention, or workforce disengagement—are more likely to escalate undetected.

Workers, communities, and customers are often closest to operational realities and experience emerging problems including but not limited to health and safety risks well before they appear in financial metrics or corporate disclosures. As the Predistribution Initiative (PDI) argued in *Getting Ahead of the Curve on Dynamic Materiality*, integrating these perspectives into governance structures can provide early-warning signals that help firms move from reactive compliance toward anticipatory risk management.[127]

While multi-stakeholder governance is sometimes dismissed as diluting accountability or corporate purpose, thoughtfully designed models can instead strengthen internal feedback loops and institutional resilience,

126 Remarks by Ola Peter K. Gjessing, SEC Roundtable On Executive Compensation Disclosure Requirements, June 26, 2025.
127 Omidyar Network, Oxfam, and The Predistribution Initiative, "Getting Ahead of the Curve on Dynamic Materiality: How U.S. investors can foster more inclusive capitalism," Joint Agency Discussion Paper, March 2024.

enabling companies to identify and address material risks that may be blind spots for investors, executives, and traditional boards until it is too late. Design interventions can include mechanisms like worker participation on boards of directors, stakeholder advisory councils, and structured dialogue with communities and regulators, alongside well-structured grievance mechanisms and freedom of association and collective bargaining.

From an institutional perspective, this approach aligns with the concept of polycentric governance, in which multiple centers of decision-making collaborate to manage complex problems.[128] In industries such as aerospace—where safety, coordination, and long-time horizons are paramount—polycentric models may be essential to ensure operational integrity is not distorted by short-term market logic. As we argue in PDI's Predistribution AI Lab, this design consideration may be useful for numerous industries, including the rollout of responsible artificial intelligence.

Multi-stakeholder governance complements, rather than replaces, traditional shareholder oversight, as well as freedom of association and collective bargaining. Executive compensation reform can help align senior incentives with long-term outcomes, but stakeholder participation supplies the information, challenge, and contextual knowledge that investors alone cannot reliably access. And stakeholder participation in corporate governance can also shield against corporate strategic efforts to weaken policy and regulation that protects workers, communities, and consumers. Together, these mechanisms offer a more credible path to managing systemic risk in complex, high-hazard industries.

Worker Voice as a Core Component of Multi-Stakeholder Governance

As evident from reviewing the sequence of events at Boeing, one of the most underutilized sources of risk intelligence is the workforce. Employees have direct visibility into daily operations, supply chain bottlenecks, and safety vulnerabilities—making them an invaluable early-warning system. When integrated into governance structures, worker voice improves transparency, accountability, and responsiveness, aligning management decisions with on-the-ground realities.

> ***One of the most underutilized sources of risk intelligence is the workforce.***

Investors can promote a range of tools to institutionalize worker voice: robust grievance mechanisms, whistleblower protections, freedom of association, collective bargaining, worker representation on boards, and even shared ownership models. These mechanisms treat workers not as passive inputs, but as active partners in value creation.[129]

Worker participation in corporate governance takes many forms. The best known is German codetermination, in which employees hold up to half the seats on a company's supervisory board, but employee directors also sit on unitary boards alongside other directors, in countries such as France, Sweden, and Norway.[130] Nor is the

128 Elinor Ostrom, "Beyond Markets and States: Polycentric Governance of Complex Economic Systems." *American Economic Review* 100, no. 3 (June 2010): 641–672.
129 Omidyar Network, Oxfam, and The Predistribution Initiative, "Getting Ahead of the Curve on Dynamic Materiality."
130 Tom Powdrill, "The Spectrum of Worker Participation in Corporate Governance," Predistribution Initiative Discussion Paper, October 2026.

practice marginal: according to the OECD, companies representing 11% of global market capitalization have employee directors on their boards, compared with 4.8% by number of companies.[131]

Across these models, workers have an official, though not controlling, role in corporate governance, allowing their lived expertise to inform board-level decisions. Such participation complements union representation and improves trust and communication between labor and management. Evidence from Germany suggests that labor representation on corporate boards provides a powerful means of monitoring and reduces agency costs within the firm, enhancing governance by contributing direct operational knowledge and improvements in decision-making effectiveness.[132] Moreover, the benefits are strongest in firms where production processes demand high levels of coordination. In the case of Airbus, institutionalized worker voice, through codetermined supervisory boards at its German subsidiaries and group-level information and consultation rights, provides formal channels through which operational concerns can be raised and challenged. While these arrangements cannot be shown to explain Airbus's comparatively stronger operational record, they illustrate how governance can incorporate perspectives that might otherwise be filtered through management hierarchies.

While some critics argue codetermination may slow decision-making or deter capital formation, a growing body of academic evidence suggests otherwise. Codetermined firms demonstrate more consistent long-term performance, lower wage dispersion, and stronger innovation outcomes through enhanced trust and information flows.[133] Studies in Germany and Finland have documented neutral or small positive impacts on firm performance, including productivity, capital investment, revenue, and profitability.[134] One study did find a negative effect on stock market valuations when comparing firms just above versus just below the 2,000 employee threshold—where codetermination rules become more binding.[135] Other potential advantages of employee representation on boards include improved performance on issues such as climate policy, community engagement, and job security.[136] For long-horizon investors, these factors translate into more stable returns and lower tail-risk exposure.[137] Note, however, that codetermination is not a panacea: Volkswagen, a codetermined company, still produced the 2015 emissions scandal. Board-level worker voice is most effective when paired with independent information channels, robust whistleblower protections, and dedicated safety oversight, rather than serving as a substitute for them.[138]

Introducing worker participation in the U.S. would need to reflect its distinct context: very low unionization rates, no tradition of enterprise-level works councils, and legal prohibitions on employer-dominated worker organizations. However, the range of existing models means U.S. firms need not adopt a European two-tier structure. Unitary-board systems in France and the Nordic countries, including the "exercisable rights" model

131 Tom Powdrill, "The Spectrum of Worker Participation in Corporate Governance," Predistribution Initiative Discussion Paper, October 2026, citing OECD, Global Corporate Sustainability Report 2025.

132 Larry Fauver and Michael E. Fuerst, "Does Good Corporate Governance Include Employee Representation? Evidence from German Corporate Boards," *Journal of Financial Economics* 82, no. 3 (December 2006): 673–710.

133 Simon Jäger et al., "Codetermination and Power in the Workplace", Economic Policy Institute, March 2022.

134 Simon Jäger et al., "Labor in the Boardroom," *NBER Working Paper No. 26519, National Bureau of Economic Research*, November 2019; Jarkko Harju et al., "Voice at Work," NBER Working Paper No. 28522, National Bureau of Economic Research, March 2021 (revised May 2024).

135 Gary Gorton and Frank A. Schmid, "Capital, Labor, and the Firm: A Study of German Codetermination," *Journal of the European Economic Association* 2, no. 5: 863–905 (September 2004).

136 Aspen Institute Business & Society Program, "Worker Voice and the New Corporate Boardroom," Aspen Institute Business & Society Program, August 2021.

137 The Predistribution Initiative and Railpen, "Workforce Directors Webinar," 2024, which explores how integrating workforce directors into corporate boards can drive better governance, enhance employee engagement, and improve long-term business performance. You can listen to the webinar here, read key takeaways, and a blog with shared reflections.

138 For a discussion of the governance lessons from the scandal, including the role of VW's codetermined supervisory board, see John Armour, "Volkswagen's Emissions Scandal: Lessons for Corporate Governance? (Part 2)," *Oxford Business Law Blog*, May 18, 2016.

under which the workforce can choose to activate board representation, offer more transferable templates, and the U.S. itself has precedents, from Massachusetts law permitting employee-elected directors at manufacturing corporations to worker directors appointed, if often only temporarily, at Chrysler and United Airlines during restructurings.[139] Effective policy design would therefore need to create U.S.-appropriate mechanisms for worker-director elections, representation, and organization.[140] Notably, support for worker participation in corporate governance has come from across the political spectrum, including conservative and Christian democratic traditions as well as organized labor and the political left.[141]

> ***Support for worker participation in corporate governance has come from across the political spectrum.***

Some investors are already moving in this direction, reflecting a growing recognition that an engaged and skilled workforce is financially material to long-term, sustainable value creation. The Workforce Directors Coalition, a group of pension funds, asset managers, and labor organizations, advocates for worker representation on corporate boards and provides practical guidance on implementation. Its work illustrates a concrete pathway for embedding workforce perspectives into governance, particularly in systemically important firms such as Boeing. Railpen, acting as the Coalition's lead, released a foundational guidance document titled *Workforce Inclusion and Voice: Investor Guidance on Workforce Directors*, which lays out best practices for incorporating workforce perspectives at the board level—including the role, recruitment, retention, and reporting dimensions.[142] An important question concerns implementation: if workers are to serve as a credible source of board-level risk intelligence, special attention must be paid to the design of worker-director nomination and election processes, including how candidates are identified, supported, and insulated from managerial influence.

Two further caveats apply. First, worker-director rights typically cover only a company's direct employees, not the contracted or outsourced workers on whom firms like Boeing increasingly rely.[143] Second, investor engagement has limits on its own: comparative evidence shows that participation is far more widespread where workers hold an enforceable or exercisable right to it than where adoption is left to boards' discretion.[144] Investors can therefore play a role in supporting policy frameworks that give the workforce, rather than management, the choice.

Finally, stakeholder representation need not stop with labor. In the case of Boeing, the presence of a pilot on the Board could have provided a crucial counterweight to financial and managerial priorities. Boeing's recent

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139 Tom Powdrill, "The Spectrum of Worker Participation in Corporate Governance," Predistribution Initiative Discussion Paper, October 2026.

140 Lenore Palladino, "Economic Democracy at Work: Why (and How) Workers Should Be Represented on U.S. Corporate Boards," *Journal of Law and Political Economy* 1, no. 3: 373–396, 2021.

141 Examples include former UK Conservative Prime Minister Theresa May's proposal for worker directors, Canadian Conservative leader Erin O'Toole's 2021 pledge of mandatory worker representation on the boards of federally regulated employers, advocacy by Marco Rubio and the think tank American Compass in the U.S., Italy's 2025 law on worker participation adopted under a right-of-center government, and, historically, the German Christian Democratic Union's 1947 Ahlen Programme. See Tom Powdrill, "The Spectrum of Worker Participation in Corporate Governance," Predistribution Initiative Discussion Paper, October 2026.

142 Railpen, "Workforce Inclusion and Voice: Investor Guidance on Workforce Directors". A more recent update, the *State of Play Briefing*, outlines the Coalition's progress since its inception, capturing company engagements, evolving policy landscapes, and framing calls to action for companies, investors, and policymakers. See Railpen, "Workforce Directors Coalition State of Play Briefing," March 2025.

143 Tom Powdrill, "The Spectrum of Worker Participation in Corporate Governance," Predistribution Initiative Discussion Paper, October 2026, noting that participation rights often apply only to people formally employed by the company.

144 Tom Powdrill, "The Spectrum of Worker Participation in Corporate Governance," Predistribution Initiative Discussion Paper, October 2026.

appointment of a retired pilot director is therefore a welcome development, strengthening the integration of frontline safety expertise into corporate governance. More broadly, in industries where public confidence is both existential and fragile, governance frameworks may also benefit from structured mechanisms that elevate consumer risk perspectives to the board level. Passengers bear the direct consequences of safety failures, and advisory or board-linked safety advocacy roles—such as a passenger safety advocate reporting to a board-level safety committee—could help reinforce the importance of product integrity, transparency, and trust in corporate decision-making, without displacing directors' fiduciary responsibilities.

Conclusion

Boeing's fall from industry exemplar to governance failure underscores a central lesson: catastrophic outcomes often reflect predictable structural weaknesses rather than isolated mistakes. For years, strong financial performance obscured mounting operational and safety risks. Board composition that skewed toward financial and political expertise, combined with incentive structures emphasizing equity-based pay with short vesting horizons, reinforced a governance system that privileged near-term performance over long-term safety, resilience, and trust.

Although Boeing is now pursuing operational and governance reforms, the damage—to human life, institutional credibility, public confidence and market capitalization—has been enduring. The case demonstrates that governance models centered narrowly on shareholder oversight and financial metrics are ill-suited to managing complex, high-hazard enterprises. Where risk is slow-burn, technical, and culturally embedded, traditional disclosures and ex post accountability mechanisms often arrive too late.

For institutional investors, this illustrates a structural constraint rather than a failure of diligence. Across highly diversified portfolios, investors cannot reliably detect firm-specific operational vulnerabilities through engagement, ESG scores, or financial reporting alone. This limitation makes the design of internal governance systems decisive. Investors' most effective role is therefore not to replicate operational oversight, but to insist on governance architectures that surface risk earlier by embedding informed challenge within the firm itself.

Multi-stakeholder governance, particularly structured worker participation, offers such a mechanism. Workers possess unique, real-time insight into production pressures, safety trade-offs, and system fragilities that do not always reach the boardroom through management channels. When institutionalized, worker voice strengthens internal information flows, improves anticipatory risk management, and complements shareholder oversight rather than diluting it. In this sense, stakeholder participation is not a normative add-on, but a functional response to the limits of market-based governance.

Ultimately, Boeing's experience shows that "stakeholder capitalism" remains rhetorical unless it is operationalized through concrete governance design. Long-term value creation depends on distributing voice, aligning incentives with long-cycle risk, and ensuring that safety and accountability are treated as governance imperatives rather than reputational considerations.