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The Broader Business Lessons From The Boeing 737 Crash

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So what are the broader business lessons from the Boeing 737 MAX 8 crashes and how might you consider similar situations at your own organization?




President Donald Trump says the U.S. is issuing an emergency order grounding all Boeing 737 Max 8 and Max 9 aircraft in the wake of a crash of an Ethiopian Airliner. (AP Photo/Ted S. Warren) ASSOCIATED PRESS

New details about the latest Boeing crash keep emerging including that all worldwide Boeing 737 MAX 8 airplanes are grounded until further notice. We will certainly learn more in the coming days as the investigations unfold. Before we can discuss the impact on business strategy, we must acknowledge the victims of

both the Ethiopian Airlines and the Lion crashes over the past few months. These terrible tragedies have taken 346 lives and it's hard to overstate the effect on loved ones, particularly the [Canadian family](#) that lost three generations at once.

However, it is also essential that we discuss the business continuity aspects of an incident like this so that business leaders can manage events effectively, learn from mistakes, and try to prevent these things from happening again. While it may seem cold to focus on the business impact, we all rely on these organizations to identify and implement the strategies that keep us safe. According to the International Air Transport Association, the number of air passengers is expected to [double by 2036](#) so the global aviation industry must be held to a high standard while growing at breakneck speed.

The aviation industry is definitely not alone in its obligation to protect life safety. Many other critical industries come to mind including automotive, pharmaceuticals, and energy. So what are the broader business lessons from the Boeing 737 MAX 8 crashes and how might you consider similar situations at your own organization? 

Really think about the risks before you automate.

It is strongly suspected, although not fully confirmed in either case, that the crashes may have had something to do with a new automated anti-stall system, known as the Maneuvering Characteristics Augmentation System (MCAS). Boeing is facing accusations that it failed to properly inform airlines and train pilots on the MCAS, which does not bode well as it seeks to increase aircraft automation. The automation trend is not going away. It is being driven in part by the expected [pilot shortage](#) in the United States and in many emerging markets where the explosive demand for air travel is far outpacing the number of qualified pilots. Many companies are moving even further in this direction, including Boeing through its partnership with Uber Elevate to design [autonomous flying taxis](#). Consider your business. When making the investment in automation, are you really factoring in the potential downside of taking away human oversight? Do you have adequate safeguards in place and if not, can you live with the potential consequences of overriding human intervention?

When you are the cause of the problem, you'd better have a solid crisis management plan.

This is a highly predictable risk for a company like Boeing and one for which they absolutely must have a solid plan in place. We can quantify the immediate business impact through the 8% fall in [their stock price](#) and also because it is likely that airlines will seek compensation for the grounding. There are some actions that Boeing can take. We have seen other companies bounce back fairly quickly from similar incidents through strong crisis management. The public can be remarkably forgiving when a business in crisis handles it well, and strong leadership from the CEO makes all the difference. We saw this in Johnson & Johnson CEO Jim Burke's leadership during the classic cyanide-laced [Tylenol case from 1982](#) and in the more recent [Starbucks racial bias scandal](#) as addressed by Starbucks CEO Kevin Johnson. Even better, KFC managed to turn crisis into opportunity through their [cheeky response](#) to a fried chicken shortage in the United Kingdom. What risks could emerge as crises at your organization and how will you handle them?

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Ethiopian Airlines and Lion Air are clearly on the front lines when it comes to business continuity management following these incidents. Even if it proves true that the crashes were the result of a manufacturing glitch and Boeing was at fault, the airlines will still feel the impacts on their business. Airlines can be affected by any number of forces beyond their control—just ask [Malaysian Airlines](#). We are long past the era in which relying on the fact that you have the smartest people in the business on your team and assuming that they will figure it out was an acceptable business continuity strategy. All businesses need to have solid plans in place, especially for such predictable risks. They need to review and test them regularly to make sure that they are ready to face whatever lies ahead. Does your

organization have a plan and how involved are you in overseeing that planning is a priority?

Invest in public sector relationships for a safer world.

Why did the Federal Aviation Administration (FAA) take longer than any other country to ground the Boeing 737 MAX 8 fleet here in the United States? It could be due to [the reason they gave](#), which was that they did not see evidence of a potential link between the two crashes until new evidence surfaced about the Ethiopian Airlines crash. Perhaps, however, it's because Boeing is an American champion with whom they work closely in partnership. So much work in safety, security, and technology development is done in partnership between the public and private sectors and this is often a good thing. Public-private partnerships are essential in keeping the public safe. However, it is important that there be clear lines drawn between regulators and industry partners and these close working relationships must not lead to breaches in oversight. How is your organization involved with public partners on issues from safety to technology development and what can you do to ensure that this a productive but also appropriate relationship?

We have yet to see what the conclusion will be in the investigations into the dual Boeing 737 MAX 8 crashes and the saddest part is that we may never really know. The incidents will undoubtedly have a lasting impact on Boeing as well as many airlines not least Ethiopian Airlines and Lion Air, and most especially on the families of those whose lives were lost. The aviation industry is facing a tough challenge ahead. The broader business lesson is that the worst can happen and it can happen tomorrow. Are you prepared to face it? After all, there are lives at stake and they are in your hands.



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I am the president and CEO of Disaster Recovery Institute International (DRI), where I help organizations prepare for and recover from disasters both natural and manmade... **Read More**

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