



2012/13 Totem Awards

Name of Category: **L1, Institutional Programs, Business/Manufacturing**

Name of Company: **Boeing Commercial Airplanes**

Name of Entry: **"A Win for Everyone": How Boeing and the Machinists Union Turned a Potential Strike into an Historic Agreement**

SITUATION. 2012 was shaping up to be a **critical year** in the relationship between Boeing and the International Association of Machinists and Aerospace Workers (IAM). The contract negotiated in 2008 in the aftermath of a 56-day strike was due to expire and had to be renegotiated. Strikes in 2005 and 2008 hurt the company's reputation with customers and with employees who were members of the IAM. Virgin Atlantic CEO Sir Richard Branson, an influential airline industry voice and Boeing customer, had said following the 2008 strike that he **was not sure he would trust the company with more orders** in the future because of the history of strikes and airplane delivery delays. The Boeing/IAM relationship grew rockier in 2009 when Boeing announced a decision to establish airline production in South Carolina, which doesn't require employees to join a union already in place where they work. The IAM filed a National Labor Relations Board (NLRB) complaint against Boeing alleging the company placed additional work in South Carolina in retaliation for past strikes. IAM District Lodge 751, the company's largest union with nearly 30,000 members at the time (now there are 33,000 members), and Boeing worked well together on a day-to-day basis, resolving disputes and administering the contract in place. Most of the Machinists in Oregon and Washington state work for Boeing Commercial Airplanes (BCA) and are responsible for making airplane parts and assembling airplanes. But despite good day-to-day relations, negotiations every three or four years for a new labor contract had become contentious. And with Boeing's 2012 focus on timely aircraft deliveries and production-rate increases for all of Boeing's commercial airplanes, **the need for labor peace was great**. The entire Puget Sound region (metropolitan Seattle) was concerned about how continuing labor conflict hurts the region's economy. Striking employees obviously felt the impact of lost wages during strikes. The ripple effect hit Boeing suppliers and thousands of area businesses who count on the spending of IAM members. The 2008 contract was set to expire in September 2012. Industry observers **warned of another strike**.

RESEARCH. Findings from primary and secondary research conducted by Boeing (*see binder for more*):

- In a comprehensive **Boeing Reputation Study** in late 2010 (the most recent) among Washington state policy elites, opinion leaders and employees, **Machinists (IAM members/Boeing employees) routinely expressed the most dissatisfaction** with Boeing of all respondents, including other Boeing employee groups. However, Machinists indicated a **high degree of pride** in Boeing products and services in the survey.
- In that same Reputation Study, the survey respondents both within and outside Boeing expressed admiration for the company, particularly its innovation. However, **employee relations consistently ranked low**. All audiences said they were **uncertain of Boeing's long-term commitment** to Puget Sound, which it has called home since 1916.
- After the 2008 strike, Boeing determined that one of its key strategies – asking front-line managers, who are nonunion, to be the primary communications conduit to Machinists – was ineffective. When it came to contract information, Machinists said they found **IAM leaders a more credible source** of information than Boeing. Clearly, a new approach was needed.
- Before negotiations started, IAM surveyed members on their priorities for the next contract and found that job security was a top priority, which meant that an agreement that met these priorities would be more likely to pass.

PLANNING. Boeing communications staff began planning in April 2011 for the contract expiration in September 2012. That plan was set aside when the company and the union began meeting to develop **a new contract in fall 2011, months early**. The tentative, early contract that was negotiated included a pledge from Boeing to put final assembly of a planned new version of the popular 737, the MAX, in its Renton, Wash., factory if IAM members ratified the early contract. Both sides needed to **implement a communications plan to tell the benefits of a "yes" vote, and they needed to work together in a collaborative way**.

Objectives. Business Objective: **To secure ratification of the tentative contract**. Communication Objective: **Help drive ratification** through communication activities.

Audiences. Primary: 1) The **30,000-plus IAM-represented Boeing members** in Washington and Oregon (fewer than 500 Machinists in Kansas, working mainly for Boeing's defense unit, are also part of the Puget Sound contract). 2) **650 shop stewards** – Boeing employees/IAM members who volunteer to represent members in negotiations. 3) The roughly **4,000 front-line Boeing managers** of Machinists, who are nonunion; their cooperation was needed to both answer Machinists' questions and facilitate their ability to vote. 4) **Government officials** – regional, state and federal – because of Boeing's role as an economic driver. 5) **Key aerospace/business reporters and bloggers**. Others: Wall Street aerospace *analysts*; the *other 50,000 BCA employees* worldwide; *Boeing suppliers* – parts manufacturers and others who make components, especially 2,000 suppliers in Washington state; *regulatory agencies*, including the NLRB, which oversees labor issues.

Strategies. Central Strategy: **Communicate the advantages of a yes vote, collaborating much more closely than ever on communication with the IAM. Initial communication to employees about details of the contract would come from IAM** because of its greater credibility with Machinists. This was a leap of faith for both sides: Boeing put its trust in the union leadership,

which had recommended strikes the previous two contracts, and the union aligned with a company that many of its members fundamentally didn't trust. The **core message** was that despite past differences, **increased competition demanded that Boeing and its unions find common ground for their common good**. Supporting strategies:

1. **Announcement:** Tell Machinists and all other employees and stakeholders of a tentative agreement both for assembly of the MAX in Renton and on a new contract; accelerate communication to prepare Machinists to vote.
2. **Source:** Boeing and the IAM agreed that the union should serve as the primary source of contract information for Machinists. (*See Challenges*.) Boeing communicators needed to inform all managers to initially refer questions from employees about contract details to the union, and to allow shop stewards to come to the factory floor during working hours and talk one-to-one with Machinists.
3. **Message:** Reiterate common ground and the pledge to put final assembly of the 737 MAX (and related production) in Renton.
4. **Tone:** Appeal to Machinists' pride in a job well done, as identified in employee surveys; stress shared benefits.
5. **Contingencies:** Plan for the possibility that the contract might not pass; develop communications for this possible outcome.
6. **Confidentiality:** All negotiations needed to be conducted in confidence, and even the fact that negotiations were underway could not be disclosed because of the intense media scrutiny and the chance of damaging leaks (*see Challenges*).

Budget and Staffing (CONFIDENTIAL): The program was carried out by a core team of seven Boeing communicators (as well as support from the union). Hard costs included \$3,600 for IAM for printing 45,000 copies of the proposal and about \$4,000 for Boeing video production.

EXECUTION. Pre-Agreement (Early November to Nov. 29): Senior IAM and Boeing leaders told the communications team that a tentative agreement was pending, but the team had **only two days** to prepare for the groundbreaking announcement. On Tuesday, Nov. 29, the two sides told their communicators that the tentative agreement was to be announced the next day. Teams quickly prepared news releases, internal e-newsletter articles and website announcements, Q&As, media interaction and more.

Announcement of Agreement (Wednesday, Nov. 30) to the vote seven days later: Boeing's philosophy is that employees should hear important news no later than (and sooner if possible) other stakeholders – including media. Timing was crucial. The IAM, with Boeing participation (for the first time), created materials such as an eight-page proposal summary, hand-delivering 45,000 copies of the deal throughout the facilities. Just before the news conference, the IAM sent an e-mail blast to union stewards and then members to explain the sequence of events. Boeing executives sent messages to managers with information on the deal and direction that the IAM would initially be the primary source of information. The IAM also posted materials and Q&As on its website, which received 1 million hits on Nov. 30, as well as on Twitter and on Facebook, site of lively debate. Other tactics: news releases and direct calls and e-mails to select reporters; calls to government officials; and stories on the *Boeing News Now* (BNN) internal electronic news site. Shortly after the tentative agreement was announced, both the company and the union learned that **some members didn't trust Boeing's commitment** to assemble the new 737 MAX in Renton. **In less than 24 hours**, the Boeing team created a video with BCA CEO Jim Albaugh strongly re-emphasizing the pledge. Boeing also prepared a written message from Albaugh responding to the concerns and published a story internally about what the company was doing to prepare for the MAX in Renton. Boeing communicators worked with the IAM to send these materials to members at their home e-mail addresses, something Boeing was unable to do, which was another example of unprecedented collaboration. **Upon the Vote (Dec. 7):** IAM scheduled the vote for Wednesday, Dec. 7 with results to be announced at 8:30 p.m. (*see binder*).

Challenges In addition to the **brief, high-pressure timeline of seven days from announcement to vote** (*see binder for more*):

- Reaching Machinists across different units of the company, dozens of facilities and three shifts. Most Machinists don't work at computers -- they're building airplanes. So, the IAM accepted a key role in communicating directly with Machinists both face-to-face and via messages to their home e-mail addresses.
- Keeping the contract negotiation confidential before the announcement of a tentative agreement, because any inaccuracies could create false expectations about the contract, particularly if rumors suggested the tentative deal was more lucrative than it was in reality. In fact, the communications team sprang into action before Thanksgiving to shut down a potential story that **could have derailed the contract**.

EVALUATION: "A Landmark Agreement." In what influencers hailed as an **historic, landmark agreement**, Machinists voted by 74 percent "yes" to approve the contract extension through 2016 – a **stunning contrast to the 2008 vote of 85 percent in favor of a strike**. At a time of **national political polarization**, Boeing and the IAM were praised for their ability to **work together**.

Impact: The agreement set the stage for production rate increases as well as smooth deliveries of airplanes to customers.

Media Is Positive: Media coverage uniformly discussed the Boeing/IAM collaboration positively (*see binder*).

Industry Honors Agreement: Boeing and the IAM were hailed for their collaboration by the Pacific Northwest Aerospace Alliance (PNAA), which recently gave them its annual top award for achievement, the **first time a labor settlement was honored that way**.

Lessons/Best Practices: Cooperative collaboration – even between two parties historically at odds – leads to the best outcome for all key stakeholders. Boeing's willingness to step back and allow IAM to do important communicating with its members gave the message **high credibility and trust**. These major steps for change enable both parties to look ahead with optimism.