*McDonnell Douglas is now part of the Boeing Company, but that does not diminish in any way the turnaround that took place at McDonnell Douglas between 1992 and 1997. Times were not good for the company in the early 1990s. With the military buildup a thing of the past, the huge military division watched as sales plummeted. The commercial aircraft division struggled to be competitive with Boeing and Airbus.*

*Waste and inefficiency were rampant. McDonnell Douglas stock sat at $9 a share in 1992—the lowest in anyone’s memory. The company, once the nation’s largest defense contractor, and the world’s number two supplier of commercial aircraft, was in serious trouble.  The senior management staff under the leadership of John McDonnell, then board chair, decided to try total quality management. They got off to a very rocky start but learned from their mistakes and by 1992 were making good progress.*

*Starting that year, executives were measured on three items: cash flow, return on net assets, and TQM, with the latter being tied to improvement on a Baldrige self-assessment score. In 1992, the self-assessment score was 200 (on the 0–1,000 scale). Over the next three years,  the score increased by 100 points per year. This took the company from being a so-so performer in the traditional ranks to being a  high mid-level performer in the TQM realm.*

 *McDonnell Douglas found that as its Baldrige self-assessment score improved each year, its key business performance indicators were tracked in a parallel fashion. By 1995, its stock valuation reached  $70 per share, profits were several times greater than in 1992,  cash was up, and debt was down—all in a vastly smaller market.  TQM literally turned around this giant company to the extent that the Boeing Company considered it imperative to merge in order to save Boeing. (The merger became final on August 1, 1997.)*

*Discussion Questions*

*Discuss the following questions in class or outside of class with your fellow students:*

*1. Explain how the use of TQM could contribute to the improvement noted in McDonnell Douglas Corporation’s key business performance indicators.  2. What was John McDonnell’s motive in making improvement in the company’s Baldrige self-assessment score a part of executive performance evaluations?*