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## Whatever It Takes

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By Hilary Kramer

FOX NEWS

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**ADVERTISEMENT** We've had more than our fair share of corporate scandals recently. So why is the emerging **Boeing** ([search](#)) scandal any different from the Enron, Arthur Andersen, MCI and others? After all, the company fired the engineers who they claimed were at fault for stealing proprietary information from its competitors on a rocket project called the Evolved Expendable Launch Vehicle (EELV). The CEO even took out full-page ads acknowledging that "some of our employees did not behave properly during the Evolved Expendable Launch Vehicle ('EELV') competition."

Sounds like the picture of good corporate responsibility following some contained employee mishaps, right? Well, consider this: Many times in recent history seemingly minor or innocuous scandals have become much, much worse as more and more information is uncovered. Watergate began as a second-rate burglary and brought down a president. Boeing's theft of 37,000 pages of a competitor's documents may indeed be a contained incident -- but here's a bold prediction: Boeing's ethical problems have the very real potential of bringing down an American icon.

The real questions don't involve whether or not Boeing made "mistakes" during the bid for the Air Force's multi-billion dollar EELV program. The real questions seem to be what did Boeing know, when did they know it and -- most importantly -- who knew what?

Last week, federal prosecutors filed criminal complaints of conspiracy against William Erskine and Kenneth Branch, alleging that the two former Boeing employees illegally stole trade secrets from Lockheed Martin. Boeing admits that their two former engineers possessed competitors documents marked, "Lockheed Martin Proprietary," related to the EELV program on which both companies were bidding. Boeing claimed that they had no prior knowledge or involvement in the actions taken by Messrs. Branch and Erskine.

At least that's what they said a few weeks ago: Boeing's CEO **Phil Condit** ([search](#)) claimed that the theft of proprietary documents was just a case of a few bad apples... But now, intriguingly, the story is changing. In a little noticed Reuters story, Condit changed his tune and announced that Boeing was now launching an internal investigation because "there's a question right now -- did that go any further."

So, why the change of tune? The affidavit filed with the criminal complaint at the end of June against Branch and Erskine provides some intriguing clues: Erskine asserted in the affidavit that Boeing cultivated a "culture" of corporate espionage, complete with a "Capture Team" dedicated to securing Lockheed secrets in the EELV competition. There was even a memo issued by Boeing's EELV Director of Business Development advising managers to "to seek out former Lockheed Martin and General Dynamics personnel to interview regarding their thoughts and impressions of Lockheed Martin's probable approach." In fact, Kenneth Branch was not only interviewed by Erskine, but later hired by him -- directly from Lockheed's own EELV group.

The affidavit also claims that Branch was "pursued by high level Boeing personnel for any Lockheed data he may have had" and that such pressure "continued for more



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than one year." Boeing management conducted a "perfunctory" investigation into the allegations that Branch had Lockheed proprietary documents -- a fact "well known to Boeing management" -- but at the end of the day, the investigation went nowhere and Branch was in fact promoted.

This isn't the first time Boeing has been accused of spying. In just the past six months, Boeing has been accused of unethically obtaining and examining rival Raytheon's design documents for a missile defense project. And an El Segundo company has filed suit against Boeing for allegedly stealing its satellite idea and putting it out of business.

The significance of all of this is that a corporate governance scandal of this sort may be even more damaging than the accounting frauds perpetrated by the Enrons and Worldcoms. In those cases, there was overt deception, most likely committed by a few high-level managers and accountants. What the Boeing case suggests however, is a "culture" of industrial spying -- at least that's what Branch and Erskine have alleged.

As Mr. Condit's full page explaining the theft demonstrate, Boeing is doing everything they can to minimize the importance and impact of the allegations, all while putting on a face of solid corporate citizenship. My sense: This might just be the tip of the iceberg and Boeing's ethical misconduct may go much higher into its organization than it's willing to admit. As the investigation proceeds, this could be the first of many bad news days for the company, and could have a severe impact on the way this company gets business from the government. Ultimately, several of Boeing's top management -- including perhaps Phil Condit -- could be gone from the company within the next year. My instincts tell me it's that big and that serious.

You heard it here first.

**Hilary Kramer** serves as a business news contributor at FOX News Channel. She joined the network as a regular guest on **Cashin' In** in May 2001.

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