

Components what
rationale is
mentioned in the
article what other
reasons do you c...

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QUESTIONS:

1.) Why do you think Boeing decided to outsource the design and production of so many critical

A: Boeing based its decision to outsource the design and production solely for financial benefit. As noted in the article, they believed that they had the ability to save as much as \$10 billion by outsourcing. This was a move which delighted their investors, who stood to see their stock shares rise in value after the 787's were completed and delivered.

Another reason could have come from the enormity of the job. Boeing may not have possessed the facilities and materials required to build all of these components. And with over 700 new planes on order, it is possible that their plant was too small to handle the job. Rather than spend the money to enlarge their facilities, it seemed more convenient to simply outsource the jobs to companies who were capable of filling the orders in their own plants.

2.) In a nutshell, what went wrong? What blind spots did Boeing have? In what ways did Boeing lack the experience to outsource component design? Was Boeing naive, or is this a natural kind of beginner's mistake that Boeing simply has to learn from?

A: In its simplest terms, the problem was that Boeing did not foresee potential problems. Nothing in their research and development plans appears to have planned for the potential of language barriers, as in some cases, the directions for assembly were written in Italian, or another language which was not understood by the Boeing mechanics.

Boeing was not prepared for this. They lacked the experience to outsource

because they had never planned for such an endeavor. The project was not properly coordinated and this is because they did not have anyone on staff with experience with such a project.

This is not a beginner's mistake. Any competent company would be sure to employ someone with outsourcing experience to manage the operation.

Boeing showed naivete, and it could be argued that the decision to not hire a manager with experience in outsourced projects could have also been a cost cutting decision.

3.) What lessons has Boeing actually learned about global outsourcing?

Name three specific management tips that one can gleam from the article!

Boeing certainly learned a lesson about global outsourcing. Three specific tips which could be gained include:

- Know your suppliers – part of Boeing's problem was that they outsourced to companies which they knew very little about, choosing to hire based on cost and reputation. Someone should have met with the suppliers more often beforehand to get a feel for how they operated and also to see their plant and the workers. In one instance, it was amazing that Boeing was unaware that one of their suppliers was trying to build a plant on a historic olive grove. This was sure to cause problems, but Boeing didn't take the time to research the proposed plant.

- See around the corner – Boeing's plans did not show enough complexity. They failed to see potential problems and did not have an emergency plan in place for setbacks. When plane parts came back with missing components, they were not armed with a contingency plan. Their developers should have looked at possible mishaps and decided how the company could handle

problems in a timely and cost-effective manner.

- Spend money where necessary – Boeing hurt their “bottom line” in the long run by having to pay penalties for lateness. They should have spent the money upfront, either for more enhanced research, or to hire individuals with experience in the type of project they were about to undertake – one which relied on the services of outsourced suppliers.

4.) In the longer term, do you think that global outsourcing will pay off for Boeing? Is it just a matter of learning and getting the kinks out of the system? Or is global outsourcing fundamentally a poor idea for a product as complex as aircraft, do you think? In other words, is vertical integration a better alternative to outsourcing for large passenger aircraft?

A: In the longer term, global outsourcing will pay off for Boeing. They should have learned from their mistakes and been prepared for the next round of 787 orders. As long as they stick with the same suppliers and build better relationships with them, the benefits can be symbiotic. If Boeing really can save \$10 billion by successfully outsourcing, then vertical integration is the best alternate.

5.) Put differently, are Boeing's problems more in the realm of strategy formulation or of strategy implementation? Was the plan flawed from the start? Or was just the execution a bit shaky?

A: It is a combination of strategy formulation and implementation. If the plans had been more fully developed, a number of problems could have been avoided or dealt with when they occurred. The plan was flawed from the start, because Boeing failed to account for potential mishaps – such as

language barriers, plant development and assembly errors. With a flawed plan, the execution was doomed to be shaky, and the result ended up costing Boeing both time and money.