

Rolls royce: a brief history



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Rolls Royce is a luxury car and aero engine manufacturer founded by Charles Stuart Rolls and Henry Royce back in 1904. Henry was the brains behind the car making business, and Charles whose interests included flying decided he would try his hand at building aircraft engines.

During the First World War, luxury cars were exactly that, a luxury, that only a few people mainly the aristocracy could afford, this together with the bank deciding to withdraw Rolls Royce's overdraft facility meant they had to concentrate on the aircraft engine side of the business.

By the time the Second World War arrived Rolls Royce had a thriving aircraft engine business and gave the world the Merlin which powered the famous Spitfire.

After the war and “ As the Rolls-Royce organization grew, and expanded through its diverse markets, the value of our famous name and brand was extended. Any activity conducted in the name of Rolls-Royce conformed to a set of values and principles that we hold dear, values that help us to continue to set new standards of excellence”. (Rolls Royce Group PLC, 2010)

Rolls Royce hasn't made luxury cars since 1998 when it sold that part of the business to BMW. Rolls Royce is now a market leader in the production, technological advancement, and environmental control of aircraft engines.

External Factors

Competition

Rolls Royce operates in 2 distinct sectors, these are new engine sales which is the company's primary market and the selling of engine spare parts which

is the secondary market. Their direct competitors for both of these markets are the firms of General Electric and Pratt & Whitney.

“ The General Electric Company was the world’s largest manufacturer of aircraft jet engines during the initial years of the 2000s. GE Aircraft Engines is part of GE Aviation, which had US \$16. 8 billion in revenues in 2007. Rolls-Royce Group PLC in Britain UK has over 100 militaries as its customers. The company reported sales of over 4 billion UK pounds in sales in its aerospace segment in 2007.” (Wikis, 2007)

“ Access to the secondary market is dependent on achieving the original sale of new engines. In recent years the intensity of competition has increased as each manufacturer has tried to improve its volumes and market share.” (The Times Newspaper Ltd, 2000)

The decision to buy a particular aircraft or engine combination is a long-term one, because an aircrafts’ life span could be as much as 40 years, this means that failure to secure an order may stop an engine manufacturer trading with a certain airline for a decade or more.

Environmental

With the world now focusing on more environmental issues, the airline industry is the now the centre of all things green. All engine manufacturers trying to make their engines more fuel efficient, less noisy and reduce their carbon footprint.

“ The Rolls-Royce site in Bristol is playing a key role in the £95 million Environmentally Friendly Engine (EFE) programme, an aero engine

technology demonstration programme that will validate new technologies aimed at reducing noise, fuel burn and emissions.” (Rolls Royce Group PLC, 2010)

Labour

From 2013, Airbus Industries and Boeing will be taking stock following the successful debuts of their airline projects, the Airbus A350 and the Boeing Dreamliner, so the order book will be dwindling following record sales. So the company has to find alternative projects for its highly skilled workforce.

“ Rolls isn’t going to make redundant workers it struggled to find in the past and will have to redeploy them,” So the CEO’s challenge probably lies outside civil aerospace, which is where he has been spending most of his time of late. It’s probably going to be quite different.” (Mustoe, 2010)

Industrial Relations

Rolls Royce operates an International group made up of workers representatives from all countries worldwide where Rolls Royce has a presence. This group is called the Global Council and was formed in 2005. It meets twice yearly to discuss matters brought up by individual employees. The decisions made by this group are backed by management at the highest level.

“ The Group’s global policy on diversity and equality continues to develop in consultation with employee representatives. The Group is committed to equal opportunities and to developing a diverse and inclusive workforce. It continues to support initiatives to encourage more women and people from ethnic minorities to pursue careers in engineering.” (Rolls Royce, 2006)

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Technology

Rolls Royce has been at the forefront of new and high end technology for many years and will continue to be so. Right from the design of the revolutionary RB211 engine back in the 60's to today's Trent 1000 which powers Boeings new 787 Dreamliner. Rolls Royce means so much to the British Government in relation to Sales & Technology that the CEO has a direct line to Downing Street.

“ Sir John Rose, chief executive, who has a good relationship with David Cameron, wants the prime minister to sanction an industrial strategy that involves government support for technology-based enterprises.” (Marsh, 2010) This would mean that any new technology or company involved in bringing new technology to the fore will receive government backing and grants.

Internal Factors

Workforce

In 2000 there were 81, 961 employees in the aircraft engine industry, 47, 153 of whom were specifically engaged in production. This number represented a decline from 1997 levels of 84, 373 employees and 49, 122 production workers. Production workers earned an average of \$21. 25 per hour in 2000, down from \$19. 52 in 1997. By 2002 the larger aerospace industry was suffering its largest downturn in 50 years, which was not good news for the aircraft engine industry. (The Gale Group Inc, 2010)

Rolls Royce prides itself on its apprenticeship programme. Young people are taken under the wing of Rolls Royce and given what can be best described as

the best apprenticeship in the world. Even though economic times may be hard, we have to keep investing for our future and teaching these young people the skills necessary to keep the name Rolls Royce at the very top of the pyramid.

“ Learners gain outstanding technical and employment skills and demonstrate excellent organisational and technical skills throughout their training and in the workplace.” (Rolls Royce, 2010)

Managerial Values

What do you think of when you here the name Rolls Royce? You think engineering excellence, you think reliability, you think innovative, but most of all you think quality. And that’s exactly how senior management see the company, because if they didn’t see the company that way, it would filter all the way down to the shop floor, where the work they do would suffer, and a lax attitude would be taken. A sense of pride runs throughout the company from the tea lady to the CEO, and all this stems from the name.

“ In its most recent employee engagement survey, employees at Rolls Royce rated “ pride in working for the company” as the most engaging factor.” (Asia, 2010)

Competitive Strategy

With aircraft engines now becoming a mature product, Rolls Royce has to improve its market share, its volumes and its competitive advantage over its competitors. It can do this in several ways, by Mergers & Acquisitions, After Sales Service, and a diversified product range. M&A takes time and from a HR perspective can be very complicated with issues ranging from, trying to <https://assignbuster.com/rolls-royce-a-brief-history/>

amalgamate the different sets of HR policies into one, and dealing with employees who are going to be affected by the possible downsizing of the merged company. The After Sales Services at Rolls Royce are called Total Care®, Corporate Care® and Mission Care™.

“ Rolls-Royce works closely with customers, irrespective of their size and operating business model, developing a customized service package, optimised to individual customer requirements.” (Bailey, 2007)

Rolls Royce has a very diversified product range, 21 separate engines just in the Civil Aerospace product range alone.

Conclusion

Without doubt the next few years are going to be very difficult for Rolls Royce. With the worsening economic climate and a dwindling order book, the main focus is how can the company hold on to its highly skilled workforce. Rather than downsize or restructure, it could be possible to redeploy technicians to other sections of the company. As previously stated these technicians are amongst the most highly skilled and regarded in the world and much sought after, so the company would do well to hang onto them.

With the recent collapse of world shares, smaller companies are at the mercy of larger corporations, this could possible lead to more diversification, but as with all mergers it would lead to possible redundancies.

The company needs to plan for the long term, by investing heavily in R&D and young people through its apprenticeship scheme.