

Ch 10 boeing



Boeing - Case Study Boeing - Case Study Boeing is the world's leading manufacturer of commercial airplanes military aircrafts. Boeing had enjoyed great privileges and dominated the market as it was the only major player in the global market. The markets were booming in the 1990's and so was Boeing's business. In spite of this Boeing failed to capitalize and registered its first loss in 50 years in 1997. At the same time, Airbus started to make major inroads into the market tasking away the market share from Boeing. Various factors both internal and external lead to this downfall of Boeing in late 90's and early this decade. Boeing has now managed to strike gold again with Dreamliner while Airbus stumbled. But both were troubled by poor outsourcing strategies. This essay tries to address factors during this phase. One of the main reasons for Boeing's downfall was the financial problems in Asia which lead numerous orders being cancelled and postponed. Boeing took a very long time to anticipate the impact of economic conditions in Asia. If Boeing had anticipated the negative impact of Asian economy sooner, it could have prevented some of the problems that it confronted. It could have been well prepared and managed its production more intelligently which would help in avoiding losses. Boeing's top management messed up big time and made disastrous calculations in the late 1990's which caused huge losses to the company. They were too blind to look beyond their traditional strategy and were adamant to maintain the 60% market share. After their poor show the top management should have been fired and new management that would bring in fresh ideas should have been hired. This would help the company to attack the problem in a different way and come up with a better strategy. " Management worries too much about Airbus, and to hell with the stockholders". This comment is completely valid in the case

of Boeing. This is because the management was too worried about Airbus. Their strategy was to maintain their market share of 60% and deny Airbus of any business, and in the process the management failed to take into account the stockholders interest. Profits and stockholders interest was not considered while decision making. On the other hand Airbus wanted to bank on a large jet and superjumbo A380 was announced. The company had literally “ bet-the-company” on this project. But this ran into trouble and as of today, it is more sensible for Airbus to abandon the project rather than going ahead with it which would lead to more losses. Airbus delivery is already delayed, and US and European regulators have determined that there would be serious changes required in the rules of air-traffic-control. This has made the proposed world’s largest jet less attractive. It was unwise of the company to “ bet-the-company” on superjumbo A380. But initially Airbus enjoyed great success and at one time became the market leader with market share more than that of Boeing. One of the main reasons for this is that Airbus planes were preferred over Boeing as they were more passengers friendly. This gave Airbus a competitive edge over Boeing. This was vital as there wasn’t much differentiating the two companies with respect to pricing. The bargaining power of the customer was also very high. Hence, under the circumstances Airbus’s planes were preferred due to its passenger-friendly design. Stonecipher was fired after it is found out that he was having an affair with an employee. He should not have been fired as he had implemented some changes that made positive contribution to the company and helped it in starting the recovery process. The affair should have been taken seriously and condemned but he should not have been fired. An affair with an employee in no way will affect the company. Synergy

in mergers means the formation of a better and bigger single organization that will be more productive and successful than 2 individual organizations. Therefore, a well planned merger will be result in a better organization. But in reality, synergy is lacking. This is because each organization will have different operational management styles. Also the systems, procedures and people of both the organizations must be integrated intelligently. But most mergers fail to take into account all the factors which results in a poor and underperforming organization. Arrogance was a primary reason why Boeing suffered huge losses. The management of the company believed that it was too big and was invincible. This is a negative and very harmful of the company. This can be combated by running regular checks and keep the employees grounded. Consistently do market analysis to understand the market and closest competitors. The top management and the board have an important role to play. The board needs to monitor the performance of the executive officers. The strategy needs to be modified every few years to be in sync with the latest market trends. Knowing that Boeing has announced drastic cutbacks and with no visible improvements in the near future (also considering that stocks have collapsed and Airbus is charging ahead) I would make the following recommendations: Come up innovative and passenger friendly airplanes Put the sales process on hold until all the pending orders are completed and trust of the customer is regained Once the pending orders are cleared, adopt a strategy that focuses on quality first and then pricing. Create a niche in the market for the company