

Case study building the boeing summary

Business



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Building the Boeing Summary Boeing has created the aircraft of the future, the 787 jet. It is designed to fly long-haul point-to-point routes, equipped with 250 seats. 80% of the materials used are composite materials. This makes the plane 20% lighter than the traditional aircraft. This translates to savings in jet fuel consumption and cost.

The design and creation of the jet was a major technological gamble.

To cut costs to minimize financial risk, Boeing outsourced 70% of the content of the 787 to other countries to cut cost and added in the expertise of experts, further lowering the costs and increasing sales in the partnering countries. 17 partners in 10 countries were selected. Delays and complications arose in 2007. There was also a \$2 billion increase in development cost. These setbacks were due to key partner not being able to meet Boeing's delivery schedules.

Many of the early prototypes did not meet quality standards.

Despite setbacks, Boeing stayed committed to outsourcing learning much closer management is required and to cut back on outsourcing, specifically with key components towards competitive advantage. Questions 1. What are the benefits to Boeing of outsourcing so much work on the 787 to foreign suppliers? What are the potential risks? Do the benefits outweigh the risks? The benefit of outsourcing is cut costs, developer/partner investments. Risk became delays and added costs due to lack of properly managing the project.

The benefits do outweigh the risks because there is so much profit to be made. 2. In 2007 and 2008 Boeing ran into several publicized issues with regard to its management of a globally dispersed supply chain. What are ten causes of these problems? What can a company such as Boeing do to make sure such problems do not occur in the future? The problems Boeing ran into regarding management of a globally dispersed supply chain were caused by partners not meeting deadlines.

Also, not all materials met quality standards. Other problems arose because some of the companies being outsourced to further outsourced the mission-critical design work to other enterprises.

To make sure problems like these don't occur in the future, Boeing can decide not to outsource key components that are seen as a source of competitive advantage. 3. Some critics have claimed that by outsourcing so much work, Boeing has been exporting American jobs overseas.

Is this criticism fair? How should the company respond to such criticism? The criticism is fair in that Boeing does export a high percentage of American jobs overseas. Boeing should respond to the criticism using shareholder interest and value as the reasoning for business decisions showing that the increase in market and decrease in cost outweigh the cost of loss of American jobs and correlates to a positive cost-benefit analysis in choosing to outsource.