

Case study on a swot analysis of boeing

[Business](#), [Company](#)



Introduction

Boeing Company is multinational aerospace enterprise that is registered in the United States. The company also deals in the manufacture of aerospace products for defense agencies in the United States and also outside the country. The company was started by William Boeing in 1916 at Seattle. Over the years the company has expanded from the small company established in Seattle to one that has offices in almost every continent. In 1997 Boeing merged with the McDonnell Douglas which was a major boost for its market share and brand positioning. Since 2001 the company's headquarters were moved Chicago, Illinois. The Boeing Corporate is today an integration of various business units, which include Boeing Capital; Boeing Commercial Airplanes; Boeing Shared Services Group, Engineering, Technology & Operations; and Boeing Defense, Space & Security. Boeing Corporate is rated among the largest aircraft manufacturers globally. This rating is based the company's orders, revenue and deliveries. By 2009 the company was ranked number three amongst other defense and aerospace contractors based on the revenue it gets from defense contracts (Defense News, 2010). In terms of value, the company is the leading exporter in the United States. Most of the available information shows that Boeing is a well performing company in terms of its market share and sales; this research paper will be focused on ascertaining the validity of this information by making an independent analysis of the company.

A SWOT analysis is a fundamental part of any analysis on the performance of a company (Hill, Jones and Galvin, 2004, p. 56). It helps identify the strong parts of a company, its weak points, the opportunities it has for growth, and

any threat from the environment that it might be exposed to during its operations. The SWOT analysis is reliable for conducting the analysis on the performance of the Boeing Corporate as it will integrate information from both the internal and external environment of the company. When this analysis is done, Boeing's position in the market can be well understood.

Strengths

Boeing can be said to be the largest manufacturer of aircrafts in the world based on the fact that it receives the most orders for manufacturer of aircrafts. This strength is also ascertained by the fact that the company makes aircraft deliveries to a large number of developing and developed countries.

The company is currently ranked second amongst other defense contractors. This is because most of the fighter aircrafts used for defense programs worldwide are manufactured by Boeing.

A strength that sets the company apart is that it delivers efficient designs. This means that the designs by Boeing are without fault. Also the company is efficient in the way it produces its aircrafts which endears it to most countries and hence the reason why most countries order Boeing manufactured airplanes.

Another of Boeing's strength is found in the skillfulness and competency of its human resource in general and the engineers in particular. This is a good strong point since a competent workforce is necessary to deliver quality products and also to ensure that production systems remain as efficient as possible. Competent managers also help the company ensure that it maximizes on marketing opportunities that come its way.

Product diversification is a strong point for the Boeing Corporate as it helps it expand its market share through creation of new target markets. The product diversification at Boeing is mainly noticeable from its production of fighter and commercial planes; which require different designs as they have different objectives.

The competitive prices offered by Boeing Corporate also serve to endear it to many countries and defense corporations; this is another of its strengths. This is one of the reasons behind why Boeing aircrafts are even bought by developing countries; because they are affordable.

Boeing also finds strength in that it has a strong and wide customer base both in the United States and internationally. This customer base is well maintained by the assurance to clients that Boeing products are reliable and are of high quality. Quality is a matter of concern in the field that most of Boeing's clients work in. This is because failure to deliver quality products may cost the client millions of shillings in terms of losses incurred during aircraft accidents; this is made more significant that poor quality aircrafts puts hundreds of lives at risk in case of such accidents.

Weaknesses

Boeing has successfully being able to stay upfront using skilled engineers to do its designs and production; however its corporate governance is not as efficient which is a weakness for the company. This is because poor corporate governance translates to unsatisfied employees, which consequently leads to poor performance and low productivity (Amann and Stegger, 2008, p. 91).

Aircraft development is a capital intensive process and this is a major

weakness that the Boeing Company has to contend with during its operations (Lawrence and Weldon, 2005, p. 86).

The Boeing Corporate is over reliant on component manufacturers and suppliers which puts it at risk of losses and delays in case the manufacturers and suppliers do not deliver. This may in turn lead to a bad reputation for the company as most clients take such delays and losses as excuses.

Opportunities

Generally there has been increased technology advancement which provides an opportunity for aircraft development advancement as well. Through the technological advancements, aircraft manufacturers such as Boeing have the opportunity to create faster defense planes and also lighter commercial planes which will help in reducing costs for their clients.

A great opportunity for Boeing is that the market for its products is worldwide which means that all the company needs is an expansion program and then get to increase its market share and sales volume (Shaws, 2004, p. 64).

Boeing Corporate has an opportunity in the Asian defense market which is growing rapidly. Hence the company can ensure that it gets a large market share in the region before other competitors start targeting this market.

Threats

The company faces a threat from trends such as refurbishing old airplanes rather than buying new ones that some airlines are applying. This is because this trend in the end results in a reduction in demand for the aircrafts manufactured by Boeing.

Boeing also faces stiff competition from Airbus which is currently issuing discounts on all its aircrafts since the latter operates in the European Union market which is subsidized by the EU (Gunston, 2010, p. 117). This means that Airbus is able to offer Boeing's clients lower prices without the company facing a threat of incurring losses.

PEST Analysis of Boeing Corporate

Political

Boeing Corporate is mainly subject to political implications in the United States as this is where it has its headquarters. However political instability elsewhere, such as the one in Britain, negatively impact on it. This is because politics provides the leadership framework through which peace prevails; it is the existence of such peace that allows for trade to be done.

Economical

Boeing Corporate is a profit making organization and hence it is subject to changes in its economic environment. The company is has been recovering from the credit crunch of 2009 whose effects were felt in the business world up to 2010. This shows that changes in the inflation rate, unemployment rates, and economy performances affect the Boeing Company in one way or the other.

Social

One of the products Boeing Company produces is commercial planes which are mostly used for social travelling in tourism. This means that social trends affect the demand for this travel which in turn impacts on the demand for the commercial aircrafts. This is why it is important for the company to stay

in touch with social trends so as to detect any changes that might not only impact on it negatively but also those that might create opportunities for it so as to gain from such social changes.

Technology

As states earlier, there has been an increase in the development of new technologies and this is a good thing for the Boeing Company. This is because technology advancement helps the company manufacture more cost effective aircrafts that help it maximize on its sales by reducing on expenditure. However, rapid technological advancement is not always preferable for the Boeing Company as new technology may outface a previous one before the company recovers the capital it had invested in the old technology (Smetana, 2001, p. 155).

Discussion of results from the PEST analysis

The PEST analysis has shown that though Boeing is a company that is recognized for good performance in terms of sales and market share, it operates in a rather volatile environment in that it is changes in the external environment may result in huge losses or gains for the company (Hoskission, 2009, p. 72). Hence with its impressive performance, Boeing can be noted to be a company that has efficient market analysts who are able to predict changes in the PEST environment and make sure the company insulates itself from possible losses or positions itself to leap from possible opportunities in the market.

Porter's Five Forces Analysis of Boeing Company

The Five Forces Analysis developed by Porter is a framework that helps in analyzing the attractiveness of an industry by gauging the intensity of competition in the industry. The framework was developed in 1979 (Porter, 1980, p. 7). The industry attractiveness as defined by the framework is based on how profitable an industry. A profitable industry is where when the five forces used by the framework are combined helps in increasing the general profitability. According to the framework an unattractive industry is one which is almost operating at 'pure competition' and hence the profits for the companies are almost zero. This framework will help determine the attractiveness of the market that Boeing operates in, which will consequently help in showing whether the performance records of the company are possible in this type of market.

1. Entry of New Competitors in the Industry

Entry of new competitors in the aircraft manufacturing industry is not as easy; this is mainly because aircraft manufacture is a huge capital venture which requires a new company to invest a lot of money to get to compete with companies like Boeing (Tacker, Flemming and Vasigh, 2008, p. 49). The high capital involved in the industry can be seen in for example when Boeing was developing the 777 model of its commercial planes, it used about US \$ 6 billion which is a huge amount of money considering that this was in the 1990s and is only for one model (Norris and Wagner, 2009, p. 102). The fact that companies need to be in the market for long before they break even also discourages new competition (Turner, 2010, p. 82). This means that Boeing faces a low threat of new entrants in the industry.

2. Presence of Substitute Products/ Services

The threat of substitutes in the industry is also low since most of the available substitutes such as buses, trains, and cars can not offer transport over large water bodies. And even the substitutes that can offer such services such as ships are relatively slow making flying more of the only choice for most international travelers.

3. Buyers' Bargaining Power

The bargaining power of buyers in this industry is low mainly because there are only two competitors and also since the planes made by the two companies use the 'family' concept and hence most airlines do not want to change their manufacturer so as to maintain a 'family' of Boeings or Airbuses in their fleet.

4. Supplier's Bargaining Power

Suppliers also have little bargaining power in this industry mainly because of the few (two) consumers of aircraft manufacturing components. This means that Airbus and Boeing are able to control what they get from their suppliers as no supplier wants to lose a client as this is a huge loss in market share as only two companies are involved.

5. Intensity of Competition

This is only force that is high in this analysis. Boeing operates in a duopoly which means that there are only two sellers in the market. Airbus has been giving stiff competition to Boeing by also aiming to produce high quality aircrafts at fair prices (Kemp, 2010, p. 54). This has intensified the competition between the two companies which means that though the industry has few competitors, it has a lot of competition.

Discussion of Boeing's Porter's Five Forces Analysis

The analysis above has shown that Boeing has the capability to register impressive records as in the five forces identified that could threaten such performance, only one out of the five is high enough to pose a threat.

BOEING'S FINANCIAL ANALYSIS

Boeing's revenue earned increased in 2007, dropped in 2008, increased in 2009, and then dropped in 2010 to US \$ 64. 3 billion from 2009's US \$ 68. 2. This is a worrying trend for the company based on the fact that it appears that the company has a zigzag like revenue graph. The 2008 drop was however explainable based on the increase in fuel prices experienced in 2007 to mid 2008. The cost and expenses for the company have been relatively kept on an average of US \$ 52 billion though there was a slight increase in 2009 which is attributable to the credit crunch experienced at the period that increased prices for most goods and services. The gross profit for the company seems to be different from the trend set by the revenue earned. This is mainly seen in that the gross profit for 2010 is higher than that for 2009 unlike the revenue which is the reverse. This means that the management team of the company is effective in ensuring that income earned is well managed to ensure maximization of profits. This trend set by the gross profit is also notable in the net earnings as in 2010 the company recorded a US \$ 3. 3 billion profit in comparison to 2009's US \$1. 3 and 2008's US \$ 2. 6 billion. It is however worth pointing out that the highest earnings recorded were in 2007 which was US \$ 4 billion. The rise in 2010 can however be seen as a sign of the company trying to hit this mark again (" Boeing Co., 2011").

The company was holding a lot of money in cash and equivalents in 2009, US \$ 9.2 billion which is not recommendable as this money could have been invested into operations, securities, or anything else that could give returns for the money rather than holding it as cash. This trend has however changed in 2010 as the amount has reduced to US \$ 5.4 billion which is a step in the right direction.

Boeing's investment in current assets has been on the rise since 2007 with the highest value recorded in 2010 as the company had US \$ 40 billion in current assets as compared to 2007's US \$ 22.8 billion. Also notable is that the company has invested more in current assets than in non-current assets as for example the non-current assets in 2010 were US \$ 28 billion which is almost a US \$ 12 billion difference from the current assets. This shows that the company maintains a high level of liquidity which is a good encouragement for potential investors.

CONCLUSION

However even with all these, Boeing has still to utilize fully its potentials; one of the reasons for this is the poor corporate governance that the company has which does not motivate employees. If the company was to successfully work on solving such weaknesses, it would well be ahead of its rival Airbus (Pandey, 2010, p. 123). This is because at the moment, Boeing is ahead of Boeing and so it is ranked first in the industry; so by improving itself it should be more concerned about beating itself than beating Airbus. There are great opportunities for growth for the Boeing Corporate in markets such as Asia and Japan. Boeing has successfully being able to tap into the Japanese market by outsourcing some of its manufacturing activities to

Japan. Also, greater opportunities lie for the growth of Boeing now that space tourism is developing and hence it might be called upon to make space crafts for such tourists (Parker, 2007, p. 19). Technological advancement globally is also a factor that will support the future expansion of the Boeing Corporate as with the new technology it will get to develop more cost effective products, and also those that fit the market's demands better.

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