

# Strategic challenges facing the future of boeing



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The point to point strategy for any airline is very susceptible as evident in the case of Boeing. The company is in direct rivalry with Airbus, but their vision of growth in the foreseeable future is different from each other. Their strategies differ and so does their sustainability. Boeing favors point to point strategy and Airbus wants to develop the hub-to-spoke strategy in order to advent its growth in future.

Airbus is a resultant of a joint venture between EADS and BAE systems. The headquarters are in France. Airbus began its operations in 1970s and has since then been a producer of major jetliners. The competitive scenario of Airbus is shared with the leading Boeing Company. The company is offering a range of wide body aircrafts that carry around a hundred to five hundred passengers (Oshri, 2006). This poses to be a very strong sign of diversification. Airbus has turned out to be a market leader in innovative operations as it makes use of latest technologies thus controlling operational costs, fuel consumption and environmental pollution. Along with all these capabilities, it proves to be increasing its range side by side. Strategically speaking, Airbus also strongly believes that strong air traffic is only possible with its present range of A380 carriers and this will prove to be very beneficial for them in future.

On the other hand, Boeing is among the top leaders in the aerospace industry. It is well known for its heavy production of satellites and military aircrafts. Simultaneously, it proves to be a leader in market share owing to its commercial jets. It operates now in Chicago and manufactures aircrafts with a passenger capacity of 100-450 passengers (The Airline Monitor, 2002). It is also known to be the largest US exporter which is because of its

capability of improvements in the production process. This efficiency and long term sustenance is because of its major failure of Sonic Cruiser in 1990s. The revolution of the company was seen with its inception of B-787 because of its non stop point to point flights which has a very low cost. Not only is point to point effective on cost cutting, it is also good for environmental safety.

A viability of point to point approach is apparent in current times. As mentioned above in the case of Boeing, the major outlook for all aerospace companies is the cost cutting for operating effectively with respect to environment. That is what Boeing is effectively pursuing and is comparatively better than any operator in the hub to hub network. The difference in environmental control costs minimizes if the recreation feature is applied to the point to point network (Oshri, 2006). Conclusively, point to point is not only cost effective; it is also feasible for the environment.

This is associated to the thriving popularity of a low-cost airline. All companies surviving in the low-cost arena are making use of the point to point routes in order to cut down their costs considerably. Fortunately, this seems to be the most viable strategy of Boeing as discussed above. Airbus A380 on the other hand is still uncertain about its sustenance owing to the fact that most of the airlines in the current economy are not momentarily gaining profit.

Boeing's aircrafts are most suitable for competently operating in the scenario where short distance travel is the strategically right move. The other factor that makes this strategy of point to point networking is most

suited is the fact that most of the airlines in today's economy are seen to be going bankrupt or winding up due to high costs (Oshri, 2006). Therefore only low cost airlines are the successful ones alike Boeing which is operating at lower costs due to its small capacity and point to point operations.

Apparently the modern trend demanded by the customers is ultimately the non stop service or the point to point service (Oshri, 2006).

Concluding this discussion, it is no doubt the best strategy that Boeing has pursued in order to exist strongly in the future. Boeing's is targeted to a wide segment of consumers and is earning more profits due to its short flying and low capacity of passengers. The main elements that drive this strategy in the airline industry are mainly due to the point to point flying and its strategic fit which can be measured according increased orders of customers, demand for point to point network, and procurement of company's strategy, relationship building and fewer fluctuations reasonably. These are the most viable features required by any airline company to survive in the competitive expensive economy.

The other major player in civil aerospace is airbus S. A. S. which is positioning itself to exploit the ' hub to spoke' market. Consider the risk to Boeings market share posed by Airbus and the risk mitigation that could be put in place.

The airline production industry is made of two firms only, namely the French Airbus and the American Boeing. These companies mainly derive their business from models such as hub and spoke and point to point system.

With the hub-and-spoke model of operations, traffic is connected between major hubs which are focused on optimization of passenger connection from one point to another. This practically gives way to an extended degree of difficulties and high costs when it comes to service provision. When we compare the point to point network and the hub to spoke model, the former system highlights a feature of direct flights among airports (minor and major both), and does not include any connections of going ahead with the same carrier (Oshri 2006).

Conventional programmed carriers and the strategic associations that arise from supportive ventures control the hub-and-spoke industry. When bearing in mind the difficulty which idea is probable to have the circumference available ahead, it is likely to keep in mind that hub-and-spoke model of strategic associations between programmed carriers is broadly accepted by passengers. A number of connections posed by the system are an obvious plus for the passengers. Undoubtedly, customers usually like point to point connections with no stopover without having to transfer from one plane to another (especially on very long distances).

Previously, though, the companies were not ready to spend high amounts on intercontinental flights, otherwise they would prefer only easy offers. In international passage, tickets for flights with intermittent transfers and stopovers are actually less expensive than direct flights- if they subsist primarily. But, since the criteria mainly that customer worry about is the price of tickets when selecting a carrier, the growth of the hub and- spoke model is not just determined by the costs of the suppliers, it is also concerned with equivalent claims.

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In this hot debate over the share in market, the first factor that is unclear is the driving force(s) of the market shares rather than the marketing or quality of aircraft. Second is the production capability (Sull 1999). Without capability, Airbus or Boeing would have the major aircrafts worldwide, but the one with the smallest quantity of ability will unavoidably be restricted to second place. Boeing captured sixty percent of market orders through the first half of year 2005. When together with firm orders and obligations, Boeing still had a fifty five percent share during June 2005 (Oshri 2006).

The caption in the clash between Airbus and Boeing paid attention to the A380, the A350 and Boeing's 787. Certainly, Boeing has had immense success in finding orders and obligations for the 787 since it was initiated more than eighteen months before, it ended up having three hundred orders by June 2005. With Boeing's restored sales strength owing to the 737 and 787, Boeing is without difficulty placed to recuperate the market share it lost during the previous 4 years. With the predictable start of the 747 advanced and the sustained achievement for the 777, Boeing will boost its share in the market. Airbus, single handedly does not have the aptitude to support its lead in non favor of sales by Boeing in the impending years. Airbus will have to radically incline its capacity to keep speed (The Airline Monitor 2002).

In the future, Airbus strongly emphasizes the qualities of aircraft unity, disagreeing that it gives heed to an endless solution for carriers which select a single point for their airplanes. This means that their market share could rocket up, gaining impede as Airbus planes flourish in status and airlines which choose Airbus fleets (Sull 1999).

Luckily for Boeing, the positive success factor 777 has proven to be very obvious. While the order books for 777 are smaller than the A330 and A340 order books, it definitely includes almost every significant airline from around the world. This is much better and stronger than the Airbus image and market value. The 777 has also made it possible for Boeing to carry out its dominant image in the market of Japan, established by Japan's refusal of Airbus's bid of an A380 affiliation.

Identify the key IS applications and business processes required to enable Boeing to align its global strategy with its global structure Use these to propose a generic IS infrastructure to meet the demands of Boeings strategy.

The strong argument against air travel is strongest argument is that the air-travel market is splintered. People want to tour straight to their final destinations, without squeezing into big airplanes and changing into smaller planes at jam-packed hubs or airports in order to get their destination.

Keeping this in mind, there remains an argument surrounding Boeing that there will be very limited interest in flourishing of airplanes that are larger than the latest fleet of 747. In research it is noted that there is a need for advancements in the market for versions of Boeing 747. The latest proposed aircraft from Boeing, with more passenger capacity, is not welcomed by airlines (Sull 1999).

In the view of this experience as a ground for formulating its plan, Boeing has taken a decision to ignore the airline market for jumbo airplanes in the market; claiming that if penetration in the market grows in the coming future, the organization will think over a new and bigger aircraft. Even

though this appears to be a plan having a strong and quiet foundation, some analysts make a point that Boeing's choice to depart from the jumbo airline industry may cause difficulties for the company to enter if significance enhancements. Statistics reveal that Airbus and Boeing as of 2005 show that, Airbus has been capable of defeating Boeing on subject of deliveries for a consecutive second year. The cost advantage of this situation has made it possible for Airbus to start development of its midsize positions, contributing to airlines a much larger choice of Airbus products (The Airline Monitor 2002).

Although, the specific design strategy used by the business is one subject that can be taken into scrutiny when studying strategies of Boeing, analysts have pointed out that there are additional factors to Boeing's latest development which should be taken into consideration as well. External sources such as Oshri (2006) say that the measures taken up by Boeing clarify the total scenario of innovation in the organization. Particularly, Oshri (2006) emphasizes that decision of outsourcing most of its processes has encouraged substantial conjecture from analysts. Outsourcing its operations is a strategy based on ensuring the provision of latest technologies to the business. For instance, the cost involved in acquiring this novelty has no attitude on the choice to outsource (Oshri 2006).

Additionally, it is also evident that Boeing has also started to develop counterbalancing contracts with overseas countries. According to these contracts, these countries involved consent to acquire airplanes and will be provided manufacturing assistance. This has allowed Boeing to spout into the best rising airplane market in the business world that is China. In order to

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spout into this market, Boeing ensured that it would have to present the nation extended amounts of production work. Therefore, Boeing believes that these counterbalancing contracts are feasible for the business. If combined with corporate growth, Boeing has been capable to detain a considerable fraction of the airline industry in China (Sull 1999).

Even though the efforts when implemented, were proven to be in the best interests for the betterment of technology and innovation in the company, and it is also clear that many dollars of have been saved only through outsourcing. Given that Boeing has been compelled to challenge a more effective Airbus company, Boeing did not have any alternative but to find a ground-breaking answers for cutting down their costs.

Lastly, Airbus has a convoy of nine basic forms, clientele groundwork of 171 operators, and an alignment buildup and forty five airplanes. All of its planes are equipped with ' fly-by-wire' expertise that presents an alternating mechanized command for automatic linkages amidst the mapping and the airplanes' unwavering surfaces (The Airline Monitor 2002). This expertise joined with a common cockpit envisage organize to elucidate why Airbus recognized over most of their instructions for large-scale airplane mainly in 1999, even though its market share was only thirty three percent in numbers.

Porter (1996, p63) notes that: " Positioning choices determine not only which activities a company will perform and how it will configure individual activities but also how activities relate to one another. While operational effectiveness is about achieving excellence in individual activities, or

functions, strategy are about combining activities” Porter is an advocate of the external approach. With reference to relevant literature, and using examples from your own organisation and the Boeing and earlier case studies, critically evaluate Porters approach to strategy and compare and contrast that with another approach to strategy such as that of Mintzberg.

Michael Porter appears to suggest that authorities should intervene or at smallest play a hardworking function in certain facets of localized, nationwide and international businesses. But his recommendations stay vague and appear to be mostly inspired by a certain yearn to re-establish an even playing area for the American businesses that he assertions are being victimized by “ unfair comparable practices” of some foreign countries (Porter 1996).

In 1993, Henry Mintzberg, broadly identified in the area of strategic management, released *The Pitfalls of Strategic Planning*, in which he portions the inherent and recognized shortcomings of strategic planning. Three years subsequent, in 1996, Michael Porter released one of some items on the theme deserving. Both men are broadly highly regarded in the area and while some of their concepts are in congruence, numerous are at odds.

Strategic designing has been in the enterprise publications since the 1960's and, as Mintzberg indicates, has relished attractiveness at times when the marketplace was relatively steady, or experiencing relentless growth. After all, designing is simply extrapolating past outcomes, or an educated estimate, if you will. Planning is not strongly suited to volatility or fast alterations in the marketplace, he maintains. However, planning scholars

have regarded every lifetime since WWII to be the most turbulent. Yet, this detail has not influenced the attractiveness of strategic planning. Mintzberg contends that turbulence is the buzzword utilized by planners to recount ecological changes that even the best prepared designs will not competently deal with (Mintzberg and Lampel 1999). In essence, whereas plans are sick arranged to undertake large-scale alterations in the marketplace, they are accurately what companies cling to in unsure times. Companies extend to design for some reasons, such as to boost self-assurance, direct workers, increase productivity, attain capital, and to acquiesce external shareholders.

This outlook exactly confrontations with Porter's comparable scheme idea wherein he assertions that an exclusive positioning scheme is essential for a firm's sustainability. While Porter acquiesces that operational effectiveness (OE) is furthermore required for sustainability, he scheme, companies should contend with one another on OE. While this scheme may work in the short period, finally it will lead to comparable convergence and stagnant profits. Porter and Mintzberg diverge on the theme of strategy. While, Porter sees strategy as an analytical method, Mintzberg outlooks it as a visionary or discovering process (Porter 1996). In fact, Mintzberg argues that all three methods - that is, visionary, designing, and discovering - must work in harmony for an enterprise to be effective. Mintzberg is emphatic that planning solely will only set a business back because schemes start to emerge through these processes and to force an enterprise to evolve a design before its time leads to a decrease of productivity and can finally threaten the appearing strategy (Mintzberg and Lampel 1999).

Porter, on the other hand, accepts as factual that strategic places arrive from three sources and often overlap. The first source is variety-based positioning because it is based on the kind of items or services suggested by the firm. The second kind of positioning is called needs-based positioning, or a try to rendezvous all or most of one group's needs. The third positioning, access-based positioning, focuses on the means by which clients are served. This can be geographical or any procedure by which a firm accesses customers (Porter 1996).

Mintzberg conceived the 10 schools of considered structure to help in the confusion surrounding the area of strategic management. Porter pertains to the positioning school, an analytical school of considered with beginnings in the military. Mintzberg pertains to the discovering school of considered where it is accepted that schemes appear as part of the discovering process. This school of considered discovered its cornerstone in learning and learning theory (Mintzberg and Lampel 1999).

As businesses beside what Porter calls the productivity opportunity, incremental improvements in methods can no longer maintain comparable advantage. As rivals quickly take up best practices in the commerce, homogeneity occurs. To battle this trend, companies should recognize their scheme - that is businesses should conclude what to manage and what not to do. Porter proposes that trade-offs are essential to sustain a sustainable strategic position. Simply put, by producing trade-offs, businesses conclude to contend in certain localities and not to contend in others. Consider the alternate, by seeking to be all things to all buyers, businesses risk mislaying their exclusive place and, ultimately, customers. Why? When a business has <https://assignbuster.com/strategic-challenges-facing-the-future-of-boeing/>

differentiated itself as a reduced cost provider, for instance, it has selected not to contend on quality. In other phrases, some schemes are complementary while other ones detract from one another.