

Boeing company



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Abstract

The essay is a discussion about the success factor in business activities. A case study of Boeing and airbus companies has been used to analyze the application of strategic management topics. The introduction to the essay explains the development of the two companies and the various products manufactured by the companies. Success factors that can be seen from the case studies have been discussed to integrate the two aspects. A conclusion to the essay indicates the summary of the essay.

Introduction**Boeing**

Boeing Company was founded in 1916 by William E. Boeing in Seattle, Washington with headquarters in Chicago, Illinois (Kennedy et al 2000). The company has made many strategies for expansion to cater for its international market and compete with the increasing number of competitors in the market for aeroplanes, jets and military space machines. In 1997 Boeing merged with McDonnell Douglas to expand its manufacturing and marketing strategies. The company has competed globally and has emerged the largest aircraft in the world in terms of revenues, orders and delivered products. It has achieved the position as the third largest aerospace in defense contracts. Boeing has dominated the market for aircraft and has the highest value of exports in the economy of the United States (Herzog, 1994).

The company started by manufacturing seaplanes. William E. Boeing is an entrepreneur who initially worked in the timber industry. He accumulated wealth and knowledge which made him start the aircraft company. With the intention of expanding the product range, the company established Boeing

Air Transport in 1927. Later on in 1933, the Boeing 247 was established (Eckley, 1991). The airline model fast, safe, and could fly easily compared to other passenger aircraft in the market by then. Boeing 247 created competition in the market since it was the first two engine passenger aeroplane that could fly on one engine. In 1934 the company was split into three following a regulation by the federal government prohibiting a single company from operating an airline and manufacturing aircrafts at the same time. By 1944 the company was manufacturing 350 planes per month. In the 1960s Boeing 727 was developed and this created a lot of demand in the international market. The sales reached 1000 per year for the Boeing 727 due to its excellent features (Ross, 1998). Boeing 737 was also developed in the 1960s. The company encountered stiff competition from Airbus in the 1980s. This forced it to develop the 757 and 767 to upgrade its products to compete successfully in the market. In 2000s the company has lost to its competitor, Airbus. Boeing has developed 787 Dreamliner to retain its competitive position. More versions of aircraft have been developed to suit the changing technology and the increasing competition (Herzog, 1996).

Airbus

Airbus is a European Company based in Blagnac, France which was established as a consortium to compete with the companies in America (Hayward, 1995). Most of the aircraft companies were manufacturing at smaller scale compared to the American companies and a competitor company was required in Europe. Airbus 300 was the first aircraft developed by the company. The Airbus A300 was later developed into A300B to increase the capacity of the aircraft to more than 300 passengers. To

increase the competition for its product, airbus developed A380 in 1988. The company has increased its competition by creating modern aircrafts which are dominating the market (Davies, 2001).

The structure of the civil aircraft manufacturing industry

The aircraft sector has many competitors in the international market. Most of the companies which have existed in the industry have used innovation as a strategy to maintain a competitive edge. The survival of the competitors is based on using technology to create new products. Product differentiation is the most visible characteristic for the aircraft industry (Eckley, 1991).

The aircraft manufacturing industry is an attractive sector to compete in. companies with innovative ideas can compete successfully in the industry. The existing industries are using technology to develop differentiated products which fit the market demand. Therefore, companies which may desire to invest in this industry should be innovative enough and be ready to use technological advancement to create new products in the market (Fuglsang & Sundbo 2002).

The critical success factors which drive performance in the sector now and in the near future

Innovation is a success factor that has been used by Boeing and Airbus in their strategies to achieve success. Innovation is the process of implementing new ideas (Drucker, 1995). Innovation has enabled the Boeing and Airbus companies develop products which attract very high demand in the market. Most of the products have been developed by a team of experts who have the required knowledge. Innovation requires the use of modern technologies to develop new products. In 1938 Model 307 Stratoliner was

introduced into the market (Billings, 1997). The aircraft could fly at an altitude of 20, 000 feet above most weather disturbances. The company developed hydrofoils in the 1960s. This led to the introduction of the USS Tucumcari (PGH-2) which ruled the international market. In 1994 the company developed Boeing 777 with a seating capacity of 300 to 370 passengers. Airbus developed Airbus A300b which was lighter, smaller and more economical than the products from Boeing and other American companies. Airbus A380 was an ultra-high-capacity airliner that was developed by a team of engineers (Hanel & Baldwin, 2003).

The success of any business depends on compliance with the political legal issue. In 1934 the US government established regulations to reduce competition in the airline industry. Airlines and manufacturers were restricted from operating as one company. Boeing had to comply with the legal ruling of the government and was split into three subsidiaries. Boeing Airplane Company, United airlines and United Aircraft Corporation were established after Boeing was split up. By the year 1938 the company had introduced two innovative products in the market- Boeing 314 Clipper and Model 307 Stratoliner. Airbus collaborated with Germany, France and UK in the establishment of the company. This was aimed at attracting the possible customers of the company (Lorell, 2003).

The success of the two companies has been achieved through cooperation with competitors (Procassini, 1995). Resources and ideas from the different participants in the industry can be very important in developing new products. The aircraft industry has used the strategy of cooperation among the competitors to perform challenging contracts. During the period of World

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War II Boeing cooperated with its competitors to create bombers (Herzog, 1994). Boeing, Douglas Aircraft co. and Lockheed manufactured B-17. Bell aircraft Co. and Glenn L. Martin Co. designed B-29. After the war the orders for bombers were terminated and the company stopped manufacturing the products. In the 1990s Boeing formed partnership with General Dynamics and Lockheed to develop Advanced Tactical Fighter contract (Lorell, 2003).

Risk taking is a success factor which the companies have used to develop competitive products. Boeing has taken many risks when developing its products. The company has merged with several companies to develop new ideas. Airbus has collaborated with several governments to create acceptance in the international market (Drejer, 2002).

Opportunities within the market have been readily utilized to create a competitive advantage. Boeing and Airbus have taken all the market opportunities in the market to sell their products. Boeing built many bombers during World War II. The company captured the potential of the women whose husbands had gone to war. Airbus has increased its competitive advantage by marketing its products strategically and in the year 2000s the company has overtaken Boeing in most of its activities (Drejer, 2002).

Product differentiation is a strategy being employed by the two companies to create a competitive advantage. Boeing and airbus have differentiated their products by increasing the seating capacity of its aircrafts, increasing the engine capacity, manufacturing a wide range of products. The companies have created new products when the market shifts its demand patterns.

The companies have diversified in their product lines. In the 1950s the company produced military jets, for example, B-47 Stratojet and B-52 Stratofortress. 367-80 jet airliners were also developed. This led to the development of KC-135 Stratotanker and Boeing 707 jetliner (Doganis, 2002). In the 1970s the company developed the US Standard Light Rail Vehicle. Airbus and Boeing have invested in the market for aerospace and defense corporations (Fuglsang & Sundbo 2002).

Use of modern technology to develop new products is a factor that has been used by the companies to develop new products in the market. Boeing has used technology to manufacture totally new products. For example, during cold war period the company developed a missile that could intercept enemy aircraft. Intercontinental missiles were developed in the 1950s by Boeing through the use of new technology that they had developed. Airbus and Boeing have employed a team of engineers to develop new products. Research and development departments have been very active in the research for new technologies (Hanel & Baldwin, 2003).

Industry analysis (PEST analysis)

Political factors:

Boeing and Airbus have been favored by the political climate in the countries they are established. Boeing was supported by the legal systems of US to reduce competition in the market of aircraft in the US market. Airbus has received support from European countries.

Economic factors:

though the international economy has been indifferent, the companies have survived. Boeing has encountered several challenges as the market shrink

when economies perform poorly. The industry is very sensitive to economic changes in the world.

Socio-cultural factors:

the market for the industry has increased when countries engage in war. Boeing and airbus have been given contracts to manufacture military aircrafts and other machines. The peace in Europe and US has encouraged the development of the industry.

Technological factors:

the increase in science and technology has enabled the companies manufacture different products which match the market demand. Several advanced models of Boeing and airbus continue to be made to suit the demand in the market (Billings, 1997).

Conclusion

The success of a business venture requires taking risks to develop differentiated products. The competition in the modern businesses has increased the innovation and creativity required to develop new products. For a business to maintain its market share it requires to expand its products and collaborate with all the partners in the industry.

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