

TEAM 3 BOEING 787 EXECUTIVE SUMMARY

In 2003, Boeing set out to deliver the most innovative, fuel efficient mid-sized commercial aircraft. They sought to cut the development time and costs for a new aircraft program by working in partnership with key suppliers which would result in a development period reduction from six to four years, as well as reducing the direct development costs invested by Boeing, from \$10 billion to \$6 billion.

The first 787 Dreamliner was delivered to customer three years late and \$11 billion over budget.

While Boeing's management believed both the Boeing team and key partners were equipped to handle the model of outsourcing production through build-to-performance contracts with risk-sharing clauses, this was not the case. Many contractors and suppliers lacked the facilities and experience required to develop and manufacture the components of the Dreamliner. In addition, Boeing was not able to provide adequate knowledge, oversight or control to succeed in managing these suppliers.

Leadership at Boeing did implement new measures in quality control after the delays and performance issues became apparent. This resulted in the delivery of the 787, but the rollout was still plagued with setbacks due to poor component design and safety concerns.

In the future, Boeing should examine whether the lowest cost model is strategically sound, and focus on quality and performance. Innovation in the design and manufacturing process - such as increased outsourcing - should be undertaken only after a detailed assessment process is carried out, and have the ability to implement risk management strategies. Boeing should continue to look to other industries for insight into how to successfully implement a lean strategy, including the analysis of the capacity of Boeing and their key suppliers.