Case Notes

# Chapter 10: Supplier Management

# The Boeing 787, Batteries, and Supplier Management

## Case Summary

*This case describes Boeing’s disastrous experience with managing its global suppliers in the production of its new aircraft, the 787 Dreamliner.*

Case Analysis *This case illustrates the complexity and challenges of global supplier management. The fire-hazard problems of lithium-ion batteries found in Boeing 787 ultimately damaged Boeing’s reputation, profitability, and competitiveness. The battery problems also revealed the risks of using and managing global suppliers. In Boeing’s case, the batteries were manufactured in Japan and installed in an electrical power conversion system supplied by a French company. In addition, the Japanese battery manufacturer was selected by its French supplier without Boeing’s involvement. The multiple interdependencies among Boeing’s global suppliers further complicated the tasks of global supplier management.*

## Sample Answers to Case Questions

1. Take a position on the following statement: “Boeing dug its own grave by outsourcing so much of the 787 to its supply chain. The firm could not possibly do an effective job managing so many suppliers.” Do you agree or disagree? Why?

I disagree with the statement that Boeing’s problems are caused by outsourcing too much of the 787 to its supply chain. The key here is not the number of suppliers that Boeing has but the quality of relationships Boeing has with its suppliers. For strategic purchases such as batteries, Boeing needed to form strategic alliance, not transactional relationships, with its suppliers to focus on collaboration and innovation.

2. What are the advantages and disadvantages of Boeing allowing its suppliers to award contracts for their own supplies of the plane’s components?

The advantages of Boeing allowing its suppliers to award contracts for their own supplies of the plane’s components are (1) demonstrating a high level of trust in the ability of Boeing’s suppliers to manage their own suppliers, and (2) saving time and effort in the number of suppliers needed to be monitored directly by Boeing. Disadvantages of such practice include (1) increased interdependencies in the supplier network, and (2) increased difficulty in managing the supplier network.

3. In your opinion, what is the moral of this story from a supplier management point of view?

The moral of this story is that the key to successful supplier management is having a strong buyer-supplier relationship. It requires a long-term commitment of both parties in a relationship of shared goals, costs, benefits and responsibilities.