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Personnel Strategy
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ASSIGNMENT 2

This is the final assignment. It is worth 25 percent of your final grade, and has two parts. Part A, worth 12 percent, is due 9:00AM Monday April 21. Part B, worth 13 percent, is due 9:00AM Monday April 28. (There will be a take home test that we first discuss in class on the last week.) Please email my teaching assistant, John Gardner, at jrgardne@andrew.cmu.edu, an electronic version of your report in pdf form before the deadlines.

This assignment is based on Boeing's decision to outsource the development and production of the 787 to a much greater degree than its previous aircraft, and then its decision to at least partially reverse the outsourcing decision. The purpose of the assignment is to help you understand how and why personnel and logistic issues are intertwined.

We will have a class discussion of the issues based on the first part of your assignment. Each (and every) member in your group should be responsible for some part of Part A and should contribute to the general class discussion. Part B will be turned in a week after the class discussion. Part B should explain what additional information, not included in your Part A, is also relevant and affects your original conclusions. Background articles are on the course website, but you should feel free to add to that list of references: the additional references that are included in your Part A will be posted at the site after the class discussion so that others can use it in their Part B.

Part A should consist of bulleted points (that John and I can understand when we read them) on each question for class discussion: each team member should have a hard copy of the team report and/or an electronic copy to refer to, so that you can all both contribute to the class discussion and also modify and revise your report. Part B should consist of an addendum that essentially extends, revises and caveats what was in Part A. We will grade Part A before we even look at Part B, so you will NOT be penalized for self-criticism! About 5 and no more than 10 pages for each part should suffice.

I will moderate the discussion, but try not to interfere too much! A warning: do NOT believe everything you read. I want you to emphasize the actions and motivations of the outsourcing firms, the employees in Boeing and Boeing management in this saga. Of course Airbus is also in the background waiting and hoping for Boeing to fail in a spectacular manner.

1. Why did Boeing decide to outsource? They are a world class company and would have devoted a lot of resources to making such an important strategic move. (Who

are the players involved, what could they have done, what did they know at the time, and what were the possible consequences?)

2. Did anything “go wrong” and if so “what”? Is it possible that they might have made promises they knew they could not keep, and would that have been bad for their business? (Again who are the players, . . . etc) If this was such a disaster, how come the company did not see it, and how come they did not go bankrupt; how did their share prices and dividends fluctuate over this period? Did Airbus gain from Boeing’s gaffe, if indeed it was a gaffe? What about top personnel: if this was handled so badly we would expect to see a lot of turnover at the executive levels. Was there much?
3. How did Boeing revise its initial plans and why? Give reasons. Can you estimate you much it cost them to change their production plans? Did they learn anything of value in the process that might help them be more profitable in the future? For example are they in a better or worse position to negotiate with their unions now?