

Examining Airbus And Boeing Supply Chain Issues

During June's Paris Air Show, Airbus and Boeing both secured hundreds of requests for new planes. This included orders everything from small, single-aisle short range planes to massive, double-decker long haul jets. But this spike in demand also brings to light a critical issue for both companies -- their supply chains are already showing signs of stress, prompting concern over whether they will be able to meet surging demand. Bob Anson of [JDA Software](#) [1] recently spoke with [Manufacturing Business Technology](#) [2] about how these two companies must now ramp up production like never before to fulfill these orders. The logistics of accomplishing this task is extremely difficult, but why it is so important to have a solid connection between strategy and execution.

MBT: What's going on with Airbus and Boeing in regard to their supply chain and what that's going to mean for them moving forward?



Anson: Over the last couple of years, based on a combination of things, stress is building up in their supply base. So a lot of different things have been happening: increased level of global sourcing, which has meant increased competition for suppliers, cost pressure, and/or lots of business volume over time.

The globalization and expanded complexity of supply chains has increased the level of risk in the supply chain. For commercial aircraft, we've got significant growth outlook. What that means at the OEM level is they are looking at a picture where they may need greater capacity from their supply base. Their supply base is weaker and/or under stress. They need to figure out how to build more resilience into that supply chain and where to get additional capacity. At the OEM level, they are sort of reallocating planned aircraft to different customers based on when those customers can and will actually be able to take, and more importantly, pay for aircraft.

The sort of questions all of this raises is: To what extent are the OEMs consistently and sort of progressively communicating long-term, medium-term, and short-term requirements to suppliers. And to what terms are the OEMs providing a consistent, progressively-detailed picture of all of that to their supply base. Are they getting these stressed suppliers a shot at being successful?

Examining Airbus And Boeing Supply Chain Issues

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

How effective are they at managing, defining, evaluating, and adjusting their supply strategies based on reasonable assessments of risk or capacity. We've seen quite a lot of activity and interest from people looking at better ways to identify, calibrate, and evaluate risk and how to do scenario management to build resilience into the supply chain proactively.

This includes doing things like: smoothing supply level demand, just to make it easier for people to do what I actually need them to do.

Another component has to do with visibility. A lot of these folks have good communication, even if they don't necessarily have good collaboration. But do they have the right level of visibility through the tiers on the supply chain.

MBT: Do you feel the lines of communication between Boeing or Airbus and their suppliers are open, or is that a major issue?

Anson: No, I don't think I'd go that far. Are they trying to communicate? Yes. Is there communication well structured, reasonably systematized, automated, and consistent? Consistency is important. It takes gaming out of the system or reduces the need for judgment by the supplier. Are they doing that? No, they're not. But I wouldn't want to suggest that they're not trying.

MBT: What are these companies doing to address these issues?

Anson: They need to recognize that they are getting into a more variable demand world than they may be used to. There are some scenario planning capabilities that could be taken advantage of here. If I look at the supply side, the question is, "Do I have a process in place that is going to drive as consistent a picture, systematized as much as possible, towards the things we were talking about." The second part of that is, "Do I listen and use the information I get back from the process?" This is a good challenge question.

A lot of people still go and order the quantity they wanted in the first place, even though the supplier told them for six months they weren't going to be able to do it. If I order that level, they acknowledge at that level, and they deliver on that level, I want to know what that pattern is over time. Because now what I've discovered is this supplier is good at forward estimating their ability to deliver, and they are consistent about it. That varies enormously by supplier and people don't look at that much.

When it gets down to it, will the supplier they be able to do what we tell them? The systems are not using that information very well. The buyers know it. That's their expertise. So I think there's quite a bit of room for improvement there.

MBT: Are you optimistic that not only are Boeing and Airbus aware of these issues, but that this is going to be something that will be addressed?

Examining Airbus And Boeing Supply Chain Issues

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

Anson: They have every opportunity, and probably ability, to address these things. A couple of things that will influence how that will happen though are the extent to which they really listen to what they can learn from their suppliers.

If the economic situation changes significantly in a sudden way, that drama tends to wash out systemic improvement. Every now and then the economy tilts in a certain direction, and essentially a level of structured panic sets in. Yes, they're going to work through this. The real question, however, is how long is it going to take them.

Source URL (retrieved on 10/01/2014 - 4:27am):

<http://www.impomag.com/articles/2011/09/examining-airbus-and-boeing-supply-chain-issues>

Links:

[1] <http://www.jda.com/>

[2] <http://www.mbtmag.com/>