

Boeing 787

- Issues
 - Strategic design of supply chain: Outsourcing/VI decisions
 - Nature of relationships
 - Limits of outsourcing?
- Discussion
 - Structure of supply chain
 - Why did they do this?
 - What is their strategy?
 - What happened?
 - Discussion

Partners Across The Globe Are Bringing The 787 Together

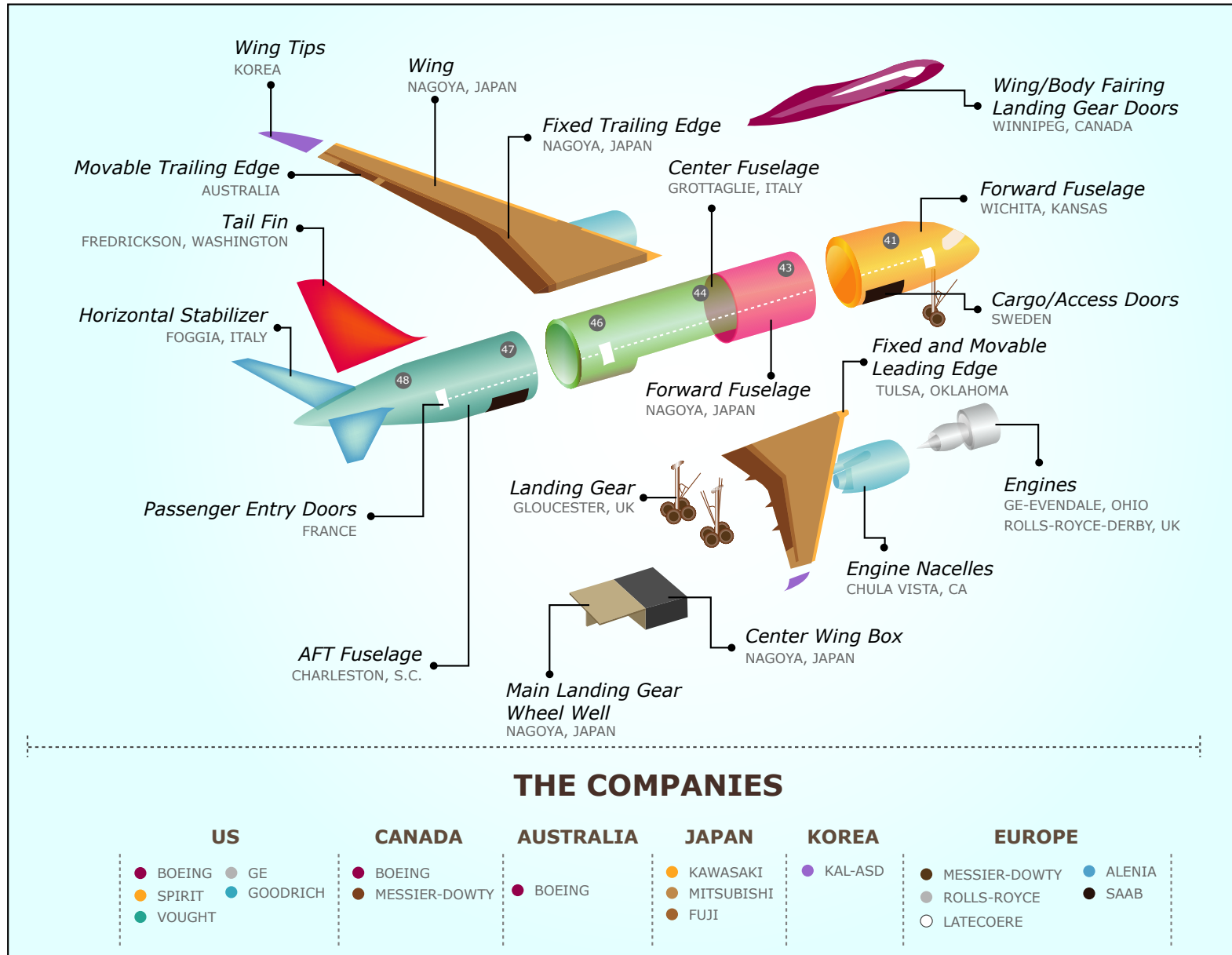


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Summary: What factors do we consider in Vertical integration and value chain design

- Strategic
- Market
- Economic
- Product and technology

Strategic Factors

- Do VI/supply chain choices fit strategy?
- Is the operation core?
- Access to capacity
- Scale, competency, and skill match

Market Factors

- Market power and structure (barriers, availability of complementary assets, capital structure)
- Economies of scale
- Market reliability and feasibility of alternatives
- Asset specificity and dependency risk

Economic Factors

- Factor costs and globalization
- Investment costs
- Transaction costs
- Legacy issues

Product and Technology Factors

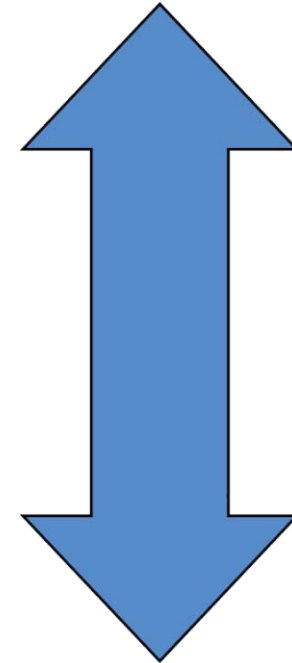
- Modularity of product architecture
- Technology differentiation
- Intellectual property

Some Historical Notes

- Trends in transaction costs
- Successful alternatives such as contracts and joint ventures
- Factors that in general are leading away from integration
 - Information technology and e-commerce
 - Past advantages of tariff, pricing, scale, and oligopolies
 - Current advantages of focus, risk management, and economies of scale and scope
 - Globalization
- BUT, there is some evidence of a fad

Spectrum of Relationships

- Arm's length
- Modified vendor relationships
- Contracts
- Collaboration
- Equity stakes
- Joint ventures
- Asset ownership
- Full ownership



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