



# Boeing's Strategic Crossroads

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# Executive Summary

## Problem:

Multiple quality control failures like the Alaska Airlines door plug incident have caused massive financial losses and regulatory scrutiny from the FAA.

## Solution:

Boeing should vertically integrate by acquiring Spirit AeroSystems and implement standardized quality control procedures.

### 'We were going to die': Passengers on Alaska Airlines jet speak out about door plug blowout

A mother said her son's "clothing had been torn off of his upper body,"

By [Jon Haworth](#)  
Video by [Julian Kim](#) and [Emmanuelle Saliba](#)  
January 10, 2024, 3:59 AM



NEWS & STORIES / BUSINESS

### After Alaska flight loses door plug at 16,000 feet, questions about Boeing Max planes linger

By [Libby Denkmann](#) & [Alec Cowan](#)  
January 08, 2024 / 4:57 pm



U.S.

### Boeing CEO says company is "acknowledging our mistake" after Alaska Airlines door blowout

By [Faris Tanyos](#)  
Updated on: January 9, 2024 / 10:05 PM EST / CBS News



### Scare on Alaska Airlines Flight 1282: A loud bang, a whooshing sound and a boy's shirt sucked right off

By [Jay Croft](#), CNN  
3 minute read · Updated 10:32 PM EST, Sat January 6, 2024

# Industry Background

## Duopoly

- Boeing & Airbus
- COMAC



## Complex Supply Chain

- Engines: GE, Rolls Royce, etc.
- Aerostructures: Spirit AeroSystems
- Flight Control Systems: Honeywell, Collins Aerospace

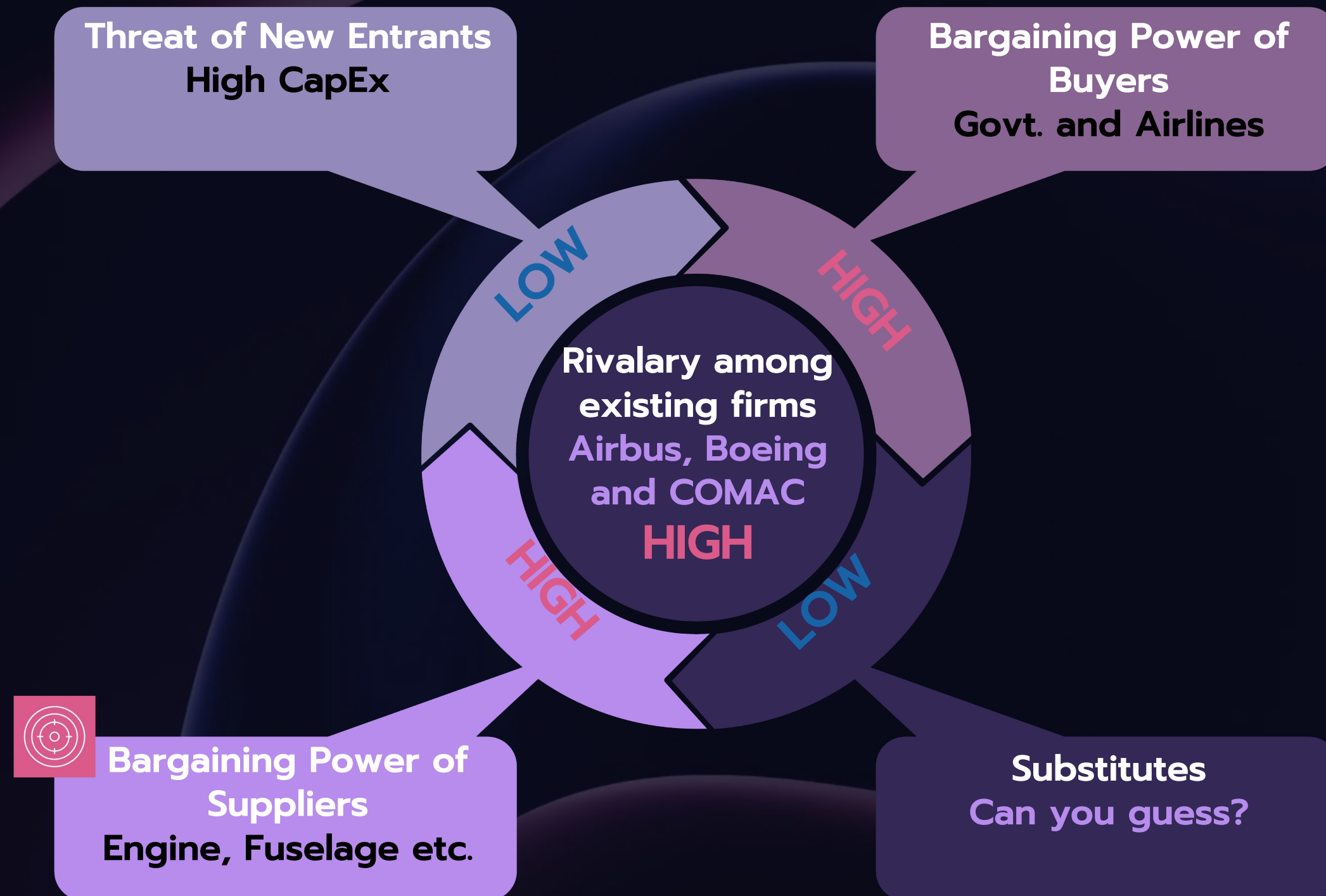


## Heavy Regulation

- Federal Aviation Administration (FAA)
- European Union Aviation Safety Agency (EASA)



# Porter's Five Forces Analysis





# Boeing's Core Competencies



## Aircraft Design

Expertise in design and systems integration.



## Product Development

Aircraft models with enhanced capabilities, fuel efficiency and passenger comfort.



## Safety and Quality

Identification and mitigation of risks to prevent accidents.

# Concerning Events

## Boeing 737 MAX Incidents

- Dec 4, 2023**  
Ryanair Flight 1269 (MAX 8-200) dropped 2,000+ feet in 17 seconds at Stansted Airport.
- Jan 5, 2024**  
Alaska Airlines Flight 1282 (MAX 9) experienced explosive decompression from missing door plug bolts.
- May 25, 2024**  
Southwest Airlines Flight 746 (MAX 8) encountered Dutch roll motion at 32,000 feet, likely due to storm damage.
- Jun 22, 2024**  
Korean Air Flight 189 (MAX 8) suffered loss of pressurization, resulting in 13 injuries.

## Consequences:

- Losing one of its core competencies
- Production cap and FAA penalties
- Financial backlogs of \$435B



# The Problem

## BOEING BOSS REASSURES PUBLIC OVER SAFETY



Should Boeing vertically integrate with Spirit AeroSystems to improve quality control after the Alaska Airlines incident?

# Strategic Solution: Acquire Spirit AeroSystems

- Further standardize quality and safety protocols.
- Lobby for lifting FAA's production cap of 38 planes per month.
- Invest in emerging technology to improve quality systems.
- Implement cross-training programs.





# Integration Challenges

## Costs

- Spirit AeroSystems' systemic quality failures
- Debt burden: \$53.9B debt and \$11.8B net loss in 2024
- Integration complexity

## Benefits

- Direct quality control
- Reduced production backlog
- Standardized training





# Future Market Predictions

## Increased Regulatory Oversight

FAA public commitment to ensure “systematic production-quality issues” are resolved.

1

## Evolving Manufacturing Model

More vertical integration for essential parts and strategic outsourcing for everything else.

3

2

## Industry Landscape

Strong duopolistic competition with Airbus expected to persist. COMAC will likely to gain market share in China.

4

## Boeing's Recovery

Production will stabilize in the short term. Ten years to achieve full financial recovery.



# Key Strategic Lessons

## **Quality vs. Cost**

There will always be trade-offs, especially when you outsource.

## **Vertical Integration**

Highly valuable in industries where safety is critical to success.

## **Strength (or Weakness) Lies in Your Workforce**

A strong manufacturing business requires investment in employee development and low turnover.