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Boeing 787 delays cast hard light on outsourcing

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By Kyle Peterson - Analysis

CHICAGO (Reuters) - Commercial airline customers are accustomed to flight delays -- but two years?

That's how overdue Boeing Co's (BA.N) revolutionary 787 Dreamliner is, and the meter is still running. The company says it plans to fly the fuel-efficient aircraft by the end of the year and has staked its credibility on the claim.

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The 787 has a record number of orders and a design seen as a "game-changer" for the commercial airplane industry. But it is also the product of an unusual confederation of manufacturers from around the world.

In some ways, the 787 project tests the wisdom of heavy reliance on outsourced labor. Boeing, the world's No. 2 plane maker behind EADS (EAD.PA) unit Airbus, hopes the 787 validates a strategy that sent an unprecedented amount of work overseas to foreign suppliers.

The Chicago company turned to its suppliers much earlier in the development process than usual to tap in to foreign ingenuity and cut costs. They helped the plane maker create and understand technologies and provided additional development, design and manufacturing funding of their own.

Boeing's bumpy road to rolling out the Dreamliner was pockmarked with several glitches in the supply chain including problems with parts and software.

The most recent delay, announced in June, ruffled the feathers of Wall Street analysts and left Boeing scrambling to repair its credibility.

Even as the company gears up for the test flight, it now acknowledges that it outsourced too much of the 787 -- now six years in the making -- and will conduct its global partnerships differently in the future.

"We wouldn't do it exactly the same way," Boeing Chief Executive Jim McNerney said at an investor conference this month. "There's plenty of blame to go around. It's not just our suppliers' fault. It's equally our fault in many cases."

"I would draw the lines in a different place," he said. "I'd have more shared engineering done together. I would certainly have visibility on the supply chain across corporate boundaries. But I would still have the same supplier/partner concept."

Some experts, union leaders and even employees believe the company took a wrong turn when it developed its global partnerships.

In a September 10 letter to Boeing senior executives, Brian Norris, a technical designer working on contract at Boeing on the 747-8I program, challenged the company's outsourcing.

"Everyone that works for Boeing knows that poor management decisions, poor planning and leadership, and last but not least outsourcing have delayed the 787 program," he wrote.

Norris, whose contract position with Boeing ends in December, encouraged Boeing to bring more work to the United States, a move that could lure


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