

## **LESSONS FROM TOYOTA: A NEW GLOBAL GRAND STRATEGY FOR BOEING**

**By:**

**Sheila R. Ronis, Ph.D.**

**President**

**The University Group, Inc.**

*“Many other nations have learned, in an honest sense, that cooperation between government and industry can at the very least counter the potential effects of other nations’ self interest policies.”*

**With the death of the “Buy American” amendment to the Defense Authorization Act for fiscal 2004, U.S. defense companies like Boeing and their supply base, need to become global to survive, if they aren’t already. Although the impact of this defeat for the U.S. economy has both positive and negative elements, one thing is certain: Globalization of the U.S. defense industry will accelerate.**



*Eurofighter: A candidate for USAF inventories? Photo: EADS*

**In today’s world, companies – not just countries need a foreign policy to survive, and companies need to know what their relationship is with**

various foreign governments as well as the many Agencies and Departments of the U.S. Federal Government that are relevant. Many foreign companies do have foreign policies. They know exactly what their company stands for in the global community, but many U.S. based companies, no matter how large, are unsure of what it means to develop a foreign policy or how to go about it. The U.S. defense industry needs to think about how their global competitiveness will change as the result of the defeat of the “Buy American” provision, as well as how their globalization strategies need to work.

*“Having successfully removed Ford as the second largest industrial corporation, and possessed of the ability, both financially and global markets influentially, to claim the number one spot from GM, Toyota’s “50 Year Plan” to become the dominant automaker is on the verge of succeeding brilliantly”.*

What does this mean for Boeing? The company’s coming under new leadership allows a perfect opportunity to re-evaluate its strategies and policies with that of a truly global player like, yes, *Toyota*. Having successfully removed Ford as the second largest industrial corporation, and possessed of the ability, both financially and global markets influentially, to claim the number one spot from GM, Toyota’s “50 Year Plan” to become the dominant automaker is on the verge of succeeding brilliantly.



Boeing CEO Harry Stonecipher and Commercial Airplanes President Alan Mulally announce “available to order” status of 7E7 Dreamliner  
-Boeing image

Since World War II, U.S. companies have been doing business in a relatively stable, bipolar world. With the end of the Cold War and the emergence of the war on terrorism, the U.S. defense corporation may be able to play a new role in furthering U.S. political, military and economic interests around the world. There is a potential new emerging role of the U.S. defense corporation in this borderless world.

***“Even though there is one global economy, there is not one global political, cultural, or military system; but many.”***

**Although a few U.S. companies have had “global” strategies for generations, such as Coca-Cola or General Motors, most are just graduating from their international or multinational strategies to their first, true “global” strategies ever. Today’s world enables defense corporations to view the world as a “system” to be optimized to enable profits on a global basis. This is especially convenient if the economic system of the world is viewed as one.**

**Even though there is one global economy, there is not one global political, cultural, or military system; but many. Our global defense industries need to relate to multiple governments and multiple markets simultaneously, and they need to develop global processes to work on a global basis.**

**Although the United States has historically been afraid to formulate an industrial policy, other countries have become very sophisticated about enabling their industries to be winners. Many other nations have learned, in an honest sense, that cooperation between government and industry can at the very least counter the potential effects of other nations’ self interest policies.**

**In a global business, everything should be aimed at giving the customer satisfaction. What will it take to make globalization work for our defense companies? It will take a minimum of four things.**

**First of all, it takes a vision of what the company is trying to accomplish in its globalization efforts including its domestic and foreign policy. A visioning process will need to be used to develop and articulate the vision to the entire organization because the whole organization needs to participate in the transformation to globalization in order for it to be a success.**

**The vision, itself, should be a description of what we want the future state to be and the role that the company wants to play in that future state; what it will exist to do and what its core competencies will need to be in that future. The vision is then developed by looking into the future and**

deciding what the “system” should look like in an idealistic, but realistic future, including a determination of what the geo-political realities of the world could be if we are actively shaping it.

Assumptions are made by identifying trends, considering the unknowable, and developing a wide range of alternative futures. This helps us to think through potential roles that the community will need to play in the various future states. This is important because strategies for action to try and “shape” the desired future become a regular part of the on-going plan.

Visions are descriptions of the “state of being” in the future with regard to a system’s stakeholders. A vision will account for uncertainties. It will look at its stakeholders, such as U.S. and foreign government partners, other departments and government agencies, internal and external customers, employees, suppliers, the general public, the press, and so on... One question to be answered is “what will your company stand for in the eyes of these stakeholders?”

Visions usually also describe the values of the enterprise, and its overall system. Those values should include a global culture which will: empower people, reward innovation, encourage teamwork, enhance individual skills, leverage core competencies, provide a safe and healthy workplace, employ contemporary management practices, and instill commitment to excellence.

The internal environment of an organization is very important to define since it’s the heart of the system. Every executive should understand the forces at work inside their system, if they are going to be able to think through globalization issues.

### **Global Vision**

The global vision requires answering many questions. This includes an understanding of the people of the organization and how well they work together, as a team, to accomplish the work of the organization. What business is the organization in? Will it even exist in the future? Will it be obsolete? Is it profitable? Is it competitive? Is the organization structured effectively and efficiently to accomplish work or is the structure a barrier? What are the functions of the organization? How

**well do they work together? What is the organization's overall process capability? Is it measurable? What about process integration, that is, how does the process of one function interface with the process of another?**

**How do you answer all of these questions in a way that will transform the organization from a traditional organization to one that is global?**

**A critical element of the internal environment is the culture of the organization. How would it be characterized? Is it a positive force for change in the organization or a barrier to change? Are there formal, written statements of beliefs and values? What does the company stand for? In a global sense, what in the culture will need to change?**

**How are decisions made? What is the resource allocation process? How does the organization invest in its leadership for future generations? What is the infrastructure that supports the entire organization? What are the organization's unique core competencies that separate it from others? Who is the customer? Who will they be, tomorrow? Do you know the answers to these questions, today? How will all of these questions be answered differently in a world in which globalization is all that exists?**

**What will the world look like in the future? And, how will your company fit into that future? What will it take to make your company successful?**

**How will you and your company influence the outcome of world events and the future to be what you want them to be? What is your domestic and foreign policy?**

**These questions and their answers are at the heart of visioning for a global world. No matter how you look at it, a company seeking a global identity needs a vision and a plan to implement it.**

**Secondly, globalization requires methods as part of the plan. There are at least five primary ways, but one would rightly suspect that there are an infinite number of ways, and only the imagination and ingenuity of a company and its people can limit what is possible, since it knows its customers and products and services better than anyone else. The author's include:**

- Understand your global system's inputs, outputs and throughputs
- Understand every customer's needs throughout the value chain and around the world
- Understand the impact of the value chain on the next larger system, and its next larger system including the impact on countries and their economies
- Provide quick response throughout the value chain
- Use global network solutions to manage the system complexities

**This requires an understanding of the entire value chain.**

**The third thing that globalization requires is a strategy to transform the organization. Because globalization requires a complete management system, the means to change the organization from its current state to one that manages a domestic and foreign policy is more than an evolution. It's probably a revolution touching every function in the organization and all of the cross functional processes in the company.**

***“Boeing, as a core component of the country's industrial base and thus tied inextricably to its national security, has to experience a sea change – really – in its corporate culture.....No matter how you analyze or synthesize the issue, globalization is here to stay. Are you ready?”***

**Conversely, if you have a strong vision of what you want to accomplish, methodologies to develop your company's global objectives, organizational strategies to re-think the management system of the company, and a plan to implement it all, you have a chance for transformation if, and only if you have leadership on board.**

**Globalization and the domestic and foreign policies required are more than a frame of mind. It takes leadership that's willing to admit they don't know all the answers, and are willing to learn how to change the way they manage the company. This isn't easy because going from a traditional organization to a global one requires massive change, and that requires learning new knowledge.**

With all the work trying to design and implement “learning organizations,” à la Peter Senge at MIT, the truth is that *many corporations’ cultures do not value learning or the knowledge it brings.* Most of these organizations have not developed processes to share and use new knowledge acquired essential to implement globalization, but they must to be successful. This requires an attitude that there is a need to change, and senior leaders may not know exactly how; they may have to admit that they don’t have all the answers. Sometimes, that’s very difficult for executives to accept. It’s what Senge’s group calls getting out of “knowing” and into “learning.”

*“Unlike GM and Ford who have chosen not to use the technology they have at their disposal, while Toyota has – Ford’s simplified flexible manufacturing system being a unique exception -- Boeing has equal or better technology than AIRBUS .”*

Boeing, as a core component of the country’s industrial base and thus tied inextricably to its national security, has to experience a sea change – really – in its corporate culture. A change that acknowledges the need to embrace the realities of a government officially allowing off-shore competitors, not the least being AIRBUS Industrie, to bid for military hardware requirements once all but exclusively the domain of Boeing. In the opinion of not a few in industry and government, the new leadership under Harry Stonecipher seems to have the will, capability and impetus to implement strategies and technologies that will blunt the successes of AIRBUS, who appears well on its way to become the dominant aerospace company by 2020.

The task for the Boeing team is at the moment daunting, considering AIRBUS’ remarkable progress through implementation of a well defined industry dominance vision and strategy. And while it is appropriate to utilize the Toyota analogy in terms of automotive/aerospace industry situational definition, there is one clear difference: Unlike GM and Ford who have chosen not to use the technology they have at their disposal, while Toyota has – Ford’s simplified flexible manufacturing system being a unique exception -- Boeing has equal or better technology than AIRBUS.

**Finally, and to repeat an oft-stated contention, Boeing, GM, Ford and other major components of the U.S. industrial base, will remain at a disadvantage as long as the level of industry/government cooperation and common resource utilization -- staple to European and Asian company competitive strategies – eludes comprehension and use.**

**No matter how you analyze or synthesize the issue, globalization is here to stay. Are you ready?**

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Myron D. Stokes, Publisher

John T. Chuhran, Associate Publisher

Matthew Siporin, Web Editor

74 W. Long Lake Rd.

Suite 103

Bloomfield Hills, MI

48304

248-695-0009

248-695-0006 (fax)

[emotionmaq@emotionreports.com](mailto:emotionmaq@emotionreports.com)