

Deep Stall - The Turbulent Story of Boeing Commercial Airplanes

by Philip K. Lawrence and David W. Thornton

The aircraft manufacturing industry traditionally receives a lot of attention from politicians, the media and the general public. This is particularly true for the largest and best-known manufacturer in the world: Boeing. The key argument of the authors of this book is that Boeing is struggling because it is neglecting strategic value in favor of shareholder value for a long time. The book is essentially about Boeing's response to the emergence and rising market power of Airbus Industry. The authors present their findings in chronological order.

Book review by Willem-Jan Zondag MSc

Due to various kinds of industry shake-outs, the number of large commercial aircraft manufacturers has declined over the past decennia to just a handful. The first five chapters of this book focus on the rise and fall of these manufacturers in the Western world, especially in the United States and in Europe. Historical attention is paid to the emergence of Boeing Company, Douglas, Lockheed, De Havilland and several other manufacturers. The authors argue that, although these (US) manufacturers were privately-owned and privately-controlled, they depended on government funding for their existence or, as the authors put it, 'by converting funding and expertise gained on military contracts to civilian applications, certain US firms, principally Boeing, were able to derive products that would effectively create entirely new markets as their use was adopted' (page 27). What is also shown is the participation of Boeing in high-risk projects of which the 747 became a success while the American Supersonic Transporter (SST) project never took off.

Apart from the Soviet market, the US aircraft industry absolutely dominated the global aircraft manufacturing industry in the late 1960s and early 1970s. It was during these same years that the Europeans combined forces and established Airbus Industry. Airbus differentiated itself by applying new technologies, like the fly-by-

wire system, while the company also quickly started to think about an aircraft family concept.

Due to the shake-out in the industry on both sides of the Atlantic, the market segments on which Boeing and Airbus competed soon became a duopoly. Both suppliers built a 'family' of aircraft with comparable capabilities. The authors argue that "Boeing has been inclined to rely on a strategy of cost competitiveness, derivatives development and product evolution, rather than technological advancement, as its favored way of consolidating market share" (page 92).

The book gives the impression that Boeing underestimated the competitive rivalry of newcomer Airbus in an era when Boeing was more and more managed based upon modern management practices. The authors particularly criticize the Boeing management perception that creating returns for shareholders was the 'single most important measure of long-term success' (as stated in Boeing's annual report '98). This conviction was underscored by the company several times when it bought back millions of its own shares for billions of US dollars. The authors argue that these dollars had been better invested in the product development of genuinely new aircraft for the commercial market.

The elucidation of Deep Stall should persuade US and EU governments to



rethink the way they treat the strategically important aerospace industry on both sides of the Atlantic. Due to its importance and due to the lack of short-term alternatives for both Airbus and Boeing, it does indeed seem like nonsense to declare that creating shareholder value is the single most important goal of Boeing (or Airbus). The authors also shed a nuanced light on Boeing's allegation that Airbus received (launch) aids, which, from Boeing's point of view, were 'illegal': the ongoing subsidy battle.

Deep Stall is recommended reading for everyone interested in the commercial aircraft market and in Boeing in particular. It provides valuable insight in the competitive rivalry between Boeing and Airbus. A little bit weak is the authors' presumption that Boeing has lost its market dominance to Airbus. The authors seem to base this on management mistakes at Boeing compared to their perception that Airbus did much better. Recent developments at Airbus / EADS show that this company is also not free from turbulence...

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