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# Globalization in aerospace manufacturing: Finding the right balance



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Top aircraft OEMs, Boeing and Airbus, are slated to deliver a combined 1600 airliners in FY2018-19, according to the Wall Street Journal. Considering the woes of huge backlogs and increasing competition, coupled with rising manufacturing costs on their home turfs, globalization has

become a natural choice for these OEMs and their Tier 1 suppliers. Manufacturing for the aerospace sector is a complex exercise for a number of reasons. It is capital intensive, has high technological requirements and a prolonged gestation period. Apart from these, there are also the systemic challenges manufacturers face in

terms of the globalized supply chain itself.

The supply chains of the largest OEMs like Boeing and Airbus are amazingly complex. Thousands of suppliers operating in multiple geographic locations across the globe fulfill myriads of contracts awarded by these OEMs. It becomes a humongous task for all stakeholders to operate efficiently and stay organized and productive. How to enable an organized effort? How to ensure safety and quality of orders? How to stay with the times and prevent obsolescence due to technological innovation? These are some major issues that OEMs are trying to address and resolve.

#### Route to globalization

The drive towards globalization is fueled by the lowering of trade barriers, decreasing communication and transport costs, the emergence of global service firms and shortage of skilled labour in home markets. The rise in demand for civil and military aircraft in the Asia-Pacific and Middle-East has put India in the spotlight due to its liberalization of civil aviation policies, offset requirements, cost advantages, liberal Special Economic Zone law, well-educated talent pool and the ability to leverage IT competitiveness in engineering services and manufacturing expertise. With favorable policies

by the government to promote the aerospace and defense sector, private companies are gearing up to leverage the changing dynamics in the sector and expand their capacity as well as capabilities to absorb large orders.

#### Mitigating the challenges of globalization

Besides the complexity of a globalized supply chain, it is also at risk of decreasing access to information, higher logistics costs and slower time to market. Difficulty in accessing real-time information makes it much harder to identify, quantify, prioritize and mitigate risk for better decision making while multiple stakeholders end up increasing the cycle time. There is also the issue with quality further down the supply chain.

In order to make globalization truly work, OEMs and tier 1 suppliers are shifting focus to developing sectors like India that have the capacity to expand and vertically integrate stages of the supply chain, streamlining critical processes to achieve efficiency and reduce time to market. They are also looking at suppliers who can take on greater development risk and be held accountable for quality. Effective communication with suppliers is an important aspect of a globalized supply chain that OEMs are working on to ensure growth and sustainability.

While leveraging the benefits of a globalization, OEMs can work on integrating stages of the supply chain through strategic partnerships and acquisitions that can help consolidate their operations and provide just the right balance to ensure a smooth flight.



**Vertical Integration of Capabilities**



**Time to Market**



**Competitive Costs**



**Large Order Absorption**