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Opinions On Current Issues In Aviation

Sins Of The Big 3

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Although on the mend, the U.S. and world economies have deteriorated over the past few years. From Wall Street to Detroit, old-line U.S. companies have taken hit after hit. But, although some missteps are recent (i.e., Toyota's accelerator problem), the sins of the Big 3 U.S. automakers are over 40 years in the making.

In the 1970s, while the Big 3 rested on their laurels, the Japanese automakers embraced a new operating model—Operational Excellence. They moved from the widely accepted 1950s-based manufacturing process to a much more efficient, less costly, higher-revenue production model based on increased quality and higher inventory turns/throughput. Slowly but surely, the Japanese production facilities went from third-world to world class by the 1980s.

The ironic part of Japan's success is that it is built on the concepts and philosophies of W. Edwards Deming, a U.S. citizen. Deming's business philosophy was simple—build the product efficiently and correctly the first time, every time (right part, right place, right time).

So, instead of improving product design, operational efficiency and quality to remain competitive in the early 1980s and 1990s, the Big 3 had a product design that the customers didn't want, a production process that was grossly inefficient and of quality level that can only be described as dismal.

Further, as the Big 3's production inefficiencies and defects ate into profits, the companies moved to chase up-margin markets. The result is that the Big 3 ignored the low-margin product (small cars), thereby handing this segment of the market to the Japanese. This allowed Toyota and Honda to gain a very strong foothold in the U.S. market and eventually created a competitor for the up-margin market (Lexus and Acura).

Over the past 10 years, the Big 3 automakers have finally atoned for most of their past sins and now have world-class product design, efficient production processes and low defect rates. Yet, only after Toyota's debacle earlier this year, have the U.S. auto manufactures started to recapture market share. So even with great product and efficient operations, for many customers the perception of the U.S. product, built over the last 30 years, is still less than sterling.

Finally, one might ask, what this has to do with aviation? The answer is history, choices and opportunity.

Not only do the airlines have the opportunity to look at the history of the U.S. automakers' bad choices in the 1980s and 1990s, but, more importantly, they have the history of their good choices in the 2000s.

By rapidly moving to the solution that the Big 3 finally embraced—Operational Excellence—the airlines can significantly lower costs and defects, while increasing revenues across the airline's curb-to-curb production process. In fact, most quality experts believe that this is the only way to truly lower costs and increase revenues.

As the Big 3 finally concluded at the close of the 1990s, airlines now have the internal ability to change the game. They no longer need to accept delivering so much of their product late (on-time arrival mid-60% range), and the huge number of defects and costs that this generates.

Wanted: One airline to embrace operational excellence.

Based on the lessons learned by the Big 3, within two to three years, airlines have the internal ability to decrease defects (i.e., delays) and cost, while dramatically increasing quality (on-time arrivals greater than 75% and average scheduled block time reduction of five minutes per flight). Within five years, these benefits can grow to an on-time rate of over 85% and block time reductions of eight minutes per flight. Add in NextGen technologies and the benefits grow even more.

The benefit of Operational Excellence, as an operating model for all airlines, is that it simultaneously produces the following results.

- Significantly increases airline profitability (lower cost, higher revenue)
- Mitigates most delays and congestion
- Reduces weather problems
- Significantly reduces ATC complexity
- Makes NextGen technologies very valuable
- Significantly improves employee morale

What other single goal can produce such across-the-board benefits within two to three years?

Sooner rather than later, a single airline will lead the way and overwhelmingly embrace Operational Excellence as the way to significantly reduce costs and improve revenues. All that is needed to start the process is the Toyota-ization of a single airline. A few airlines are already beginning the process.

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