Title: Why 787 slips were inevitable?

Abstract

Boeing 787, the Dreamliner, was the fastest-selling plane ever in the commercial aviation industry. However, its development was a nightmare - the first flight was delayed by 26 months and the first delivery was delayed by 40 months with a cost overrun of at least $10 Billion. By a comprehensive empirical study of the actual events and facts, we find strong evidence to suggest that a majority of the delays were intentional. A mathematical modeling and analysis of economic drivers in joint development programs discovers that the 787’s risk-sharing partnership forced Boeing and its partners to share the “wrong” risk and thus led the firms into a Prisoner’s Dilemma where delays (and thus driving themselves into a disaster) were in the best interests of these firms. We reconcile the analysis with the empirical evidence and reveal the rationale behind many irrational behaviors that delayed this program. Finally, we suggest a new “fair sharing” partnership to share the “right” risk and greatly alleviate delays for development programs of this kind.

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Bio

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